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WELFARE REFORM

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

APRIL 9, 1987

(Part 1 of 3)

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WELFARE REFORM

THURSDAY, APRIL 9, 1987

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The Committee met, pursuant to notice, at 9:35 a.m., in Room SD 215, Dirksen Senate Office Building, the Honorable Lloyd Bentsen, Chairman, presiding.

Present: Senators Bentsen, Moynihan, Bradley, Pryor, Rockefeller, Daschle, Heinz, and Durenberger.

[The press release announcing the hearing and the opening statements of Senators Bentsen, Mitchell and Heinz follows:]

[Press release H-39, April 6, 1987]

FINANCE COMMITTEE ANNOUNCES HEARINGS ON WELFARE REFORM; GOVERNORS, CABINET SECRETARIES TO TESTIFY APRIL 9

WASHINGTON, DC.—Senator Lloyd Bentsen (D., Texas), Chairman, announced Monday that the Senate Finance Committee will hold a series of hearings on welfare reform.

The first hearing in the series, featuring testimony by two Governors and three U.S. Cabinet Officers, is scheduled for Thursday, April 9, 1987.

"There is broad agreement that our current welfare system needs to be reformed", Chairman Bentsen said.

"The task before the Finance Committee is an especially challenging one in these times of budgetary constraint. Our goal is to distill the numerous reform recommendations that have been made and produce an improved welfare system."

Senator Bentsen noted that the hearings to be held by the Committee will build upon the important groundwork laid by a series of hearings recently held by its Subcommittee on Social Security and Family Policy.

The first hearing by the full Committee will receive testimony from Governors representing the National Governors' Association and from three members of the President's Cabinet on behalf of the Administration. It is anticipated that both the Governors and the Cabinet Officers will address broad questions of national welfare policy including not only their own recommendations but also the issues which have been raised in other proposals. The National Governors' Association will be represented by the Honorable Bill Clinton, Governor of Arkansas, and by the Honorable Michael N. Castle, Governor of Delaware. The Administration will be represented by the Honorable Richard E. Lyng, Secretary of Agriculture, the Honorable Otis R. Bowen, M.D., Secretary of Health and Human Services and the Honorable Samuel R. Pierce, Jr., Secretary of Housing and Urban Development.

The hearing will be held on Thursday, April 9, 1987 at 9:30 A.M. in Room SD-215 of the Dirksen Senate Office Building.

OPENING STATEMENT OF SENATOR LLOYD BENTSEN
HEARING ON WELFARE REFORM
THURSDAY, APRIL 9, 1987

THIS IS THE FIRST IN A SERIES OF HEARINGS BY THE FULL FINANCE COMMITTEE TO CONSIDER THE VERY IMPORTANT SUBJECT OF WELFARE REFORM.

SOME OF THE PROGRAMS WE WILL REVIEW, LIKE AID TO FAMILIES WITH DEPENDENT CHILDREN, ARE MORE THAN FIFTY YEARS OLD. THEY HAVE THEIR ORIGINS IN FRANKLIN ROOSEVELT'S NEW DEAL AND THE SOCIAL SECURITY ACT OF 1935.

PRESIDENT ROOSEVELT HAD A KNACK FOR CREATING HOPE FROM DESPAIR. HE HAD A GREAT DEAL TO SAY ABOUT OPPORTUNITY, COMPASSION AND SOCIAL JUSTICE IN AMERICA. HE ALSO HAD SOMETHING TO SAY ABOUT REFORM: ROOSEVELT SAID WE MUST REFORM IF WE WANT TO CONSERVE, AND HE WAS RIGHT.

THE FINANCE COMMITTEE HEARINGS THAT BEGIN THIS MORNING WILL FOCUS ON HOW WE CAN REFORM WELFARE PROGRAMS TO CONSERVE THE BEST OF THE PAST AND GIVE US NEW LATITUDE TO DEAL WITH THE EMERGING PROBLEMS OF THE FUTURE.

WE PROCEED FROM THE PREMISE THAT AMERICA CAN NOT AFFORD TO PERPETUATE DEPENDENCY AND DESPAIR, ESPECIALLY WHEN CHILDREN ARE INVOLVED.

WE ARE BEING CHALLENGED TO MAKE MAXIMUM EFFECTIVE USE OF FINITE RESOURCES. WE KNOW THAT SUCCESSFUL REFORM DEMANDS CHANGE AND FLEXIBILITY. IT REQUIRES AN HONEST EFFORT TO TAP THE CREATIVE POTENTIAL, AND THE RESOURCES, OF OUR STATE AND LOCAL GOVERNMENTS. OUR OBJECTIVE IS TO REDUCE THE NUMBER OF PEOPLE DEPENDENT ON WELFARE. WE WANT TO PROVIDE REAL, LONG-TERM EMPLOYMENT FOR WELFARE RECIPIENTS, AND BY EMPHASIZING JOB PROGRAMS, WE'LL BE LOOKING FOR MORE PRIVATE SECTOR INVOLVEMENT IN OUR EFFORTS.

THIS COMMITTEE HAS JURISDICTION OVER SIGNIFICANT WELFARE ACTIVITIES, BUT NO SINGLE COMMITTEE, LEGISLATIVE BODY, OR BRANCH OF GOVERNMENT CAN HOPE TO UNTIE THE KNOTS THAT TANGLE OUR WELFARE PROGRAMS. THERE IS NO ROOM FOR PARTISANSHIP OR JURISDICTIONAL BICKERING WHEN WE ARE CONSIDERING PROGRAMS THAT SERVE AS A LIFELINE TO MILLIONS OF AMERICANS.

LATER THIS MORNING WE WILL BE JOINED BY THREE CABINET SECRETARIES, AND I WELCOME THEIR PRESENCE. I WANT THEM TO KNOW THAT I STAND READY TO WORK WITH THE ADMINISTRATION, AND WITH OUR REPUBLICAN FRIENDS IN CONGRESS, TO FIND HONEST, AFFORDABLE ANSWERS TO THE PROBLEMS OF WELFARE.

I HAVE MADE THIS POINT IN REGARD TO TRADE, AND I WILL MAKE IT AGAIN IN RESPECT TO WELFARE REFORM. CONGRESS IS NOT LOOKING FOR CONFRONTATION. WE ARE NOT LOOKING FOR ISSUES. WE ARE LOOKING FOR ANSWERS, AND WE WANT THE ADMINISTRATION TO JOIN IN THE SEARCH.

EVERYONE HAS AN OPINION ABOUT WELFARE, AND ONE OF THE FEW POINTS ON WHICH THEY ALL AGREE IS THE NECESSITY OF REFORM. WE CAN ARGUE ABOUT WHETHER WELFARE IS WORKING AS INTENDED, BUT NO ONE CAN DENY THAT WELFARE PROBLEMS ARE INCREASING FASTER THAN THE RESOURCES WE DEVOTE TO THEM.

AT A TIME WHEN THE STOCK MARKETS ARE BOOMING AND MILLIONS OF AMERICANS ARE PROSPERING, THERE IS ALSO A DEEPLY TROUBLING UNDERCURRENT IN OUR SOCIETY.

ONE QUARTER OF OUR CHILDREN LIVE WITH A SINGLE PARENT.

TWENTY PERCENT OF THE BABIES IN AMERICA ARE BORN TO UNWED MOTHERS.

IN AN OCEAN OF PROSPERITY, ONE FIFTH OF OUR CHILDREN LIVE ON BARREN ISLANDS OF POVERTY. THE NUMBER OF CHILDREN RECEIVING AID TO FAMILIES WITH DEPENDENT CHILDREN HAS MORE THAN TRIPLED OVER THE PAST GENERATION.

THOSE STATISTICS POINT UP OUR FAILURES OF THE PAST. THEY CHALLENGE US TO DELIVER ON THE PROMISE OF THE AMERICAN DREAM. AND THEY SUGGEST THAT WE HAVE NO TIME TO LOSE.

ONE LESSON WE HAVE LEARNED FROM FIFTY YEARS OF EXPERIENCE WITH WELFARE IS THAT THERE ARE NO SHORTCUTS TO SUCCESS. THERE ARE NO EASY, INEXPENSIVE, UNDISCOVERED ANSWERS. OUR SUCCESS WILL BE MEASURED OVER THE LONG TERM. IT WILL REQUIRE A STABLE FUNDING MECHANISM, A TOLERANCE FOR NEW IDEAS, AND THE COURAGE TO MAKE TOUGH CHOICES BETWEEN COMPETING PRIORITIES.

I WANT TO GUARD AGAINST FALSE EXPECTATIONS FROM THESE PROCEEDINGS. WE ARE NOT ABOUT TO PERFORM A MAGIC TRANSFORMATION ON THE WELFARE SYSTEM. HOPEFULLY WE CAN MAKE IT BETTER, MORE EFFICIENT, AND MORE RESPONSIVE. IT'S TIME TO MOVE THE SYSTEM

AWAY FROM TRADITIONAL WELFARE AND BEGIN TO EMPHASIZE THE ACQUISITION OF REAL JOB SKILLS THAT LEAD TO PERMANENT, PRODUCTIVE EMPLOYMENT. WE MUST SEE TO IT THAT PARENTS HONOR THEIR RESPONSIBILITIES TO THEIR CHILDREN.

WE HAVE SET A DIFFICULT AND COMPLEX TASK FOR OURSELVES, BUT WE HAVE AN IMPORTANT RESOURCE BASE TO DRAW ON. SENATOR MOYNIHAN, WHO CHAIRS THE SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY, HAS DEVOTED MUCH OF HIS LIFE AND MANY OF HIS SUBSTANTIAL TALENTS TO THE PROBLEM OF WELFARE. HIS SUBCOMMITTEE HEARINGS HAVE PROVIDED THE FOUNDATION ON WHICH WE HOPE TO BUILD. I WANT TO ACKNOWLEDGE SENATOR MOYNIHAN'S CONTRIBUTION AND EXPERTISE ON THIS ISSUE.

AS WE BEGIN WHAT I HOPE WILL BECOME A BIPARTISAN, COOPERATIVE EFFORT ON WELFARE REFORM, I WANT TO STRESS FLEXIBILITY AND REALISM IN OUR APPROACH TO THE PROBLEM. I WANT TO STRENGTHEN THE CHILD SUPPORT ENFORCEMENT SYSTEM, BUT I AM NOT CONVINCED WE CAN COUNT ON ENFORCEMENT TO GENERATE ADEQUATE REVENUES TO FUND MAJOR NEW PROGRAMS. I WANT TO ENCOURAGE OUR

STATE AND LOCAL OFFICIALS TO ASSUME GREATER AUTHORITY -- AND RESPONSIBILITY -- FOR WELFARE IN AMERICA.

WE'RE LOOKING FOR ANSWERS THAT WILL HELP US STRENGTHEN FAMILIES, BUILD A MORE STABLE SOCIAL ORDER, AND PROVIDE NEW ELEMENTS OF OPPORTUNITY FOR MILLIONS OF AMERICANS.

WE ARE PLEASED TO WELCOME GOVERNORS BILL CLINTON OF ARKANSAS AND MICHAEL CASTLE OF DELAWARE, BOTH OF WHOM HAVE ESTABLISHED ENVIABLE CREDENTIALS IN THE FIELD OF WELFARE REFORM.

GOVERNORS CASTLE AND CLINTON ARE APPEARING ON BEHALF OF THE NATIONAL GOVERNORS ASSOCIATION, WHICH HAS BEEN ACTIVE IN THE AREA OF WELFARE REFORM, AND WE LOOK FORWARD TO THEIR INSIGHTS.

Statement by Senator George J. Mitchell
Senate Finance Committee
Hearing on Welfare Reform
April 9, 1987

Mr. Chairman, I commend you for gathering together such an impressive group of witnesses to testify on the issue of Welfare Reform.

I look forward to hearing from the Secretaries of Health and Human Services, Agriculture, and Housing and Urban Development on the respective components of the Administration's Welfare Reform proposal which come under the jurisdictions of each Agency.

I am also pleased to have Governors Clinton and Castle to describe the proposal for welfare reform developed by the National Governor's Association. The involvement of the Administration and the States is evidence of the seriousness of this issue, and the commitment by government on both State and Federal levels to overhaul our current welfare system.

It is encouraging to note the degree of consensus of the various welfare reform proposals offered by the, Administration, States and the American Public Welfare Association, as well as a number of other organizations.

While there exists differences of opinion on design and implementation of each program, the dedication to this effort by all parties will assist Congress in passing a welfare reform package that will address the concerns expressed by those who have been deeply involved with this effort over many years.

I want to commend Senator Moynihan for his commitment to the issue of welfare reform. I look forward to working with him and other members of this committee to make welfare reform a reality in the 100th Congress.

STATEMENT OF SENATOR JOHN HEINZ
HEARING ON WELFARE REFORM
COMMITTEE ON FINANCE
APRIL 9, 1987

MR. CHAIRMAN, I AM PLEASED THAT THE COMMITTEE HAS CALLED THIS HEARING ON WELFARE REFORM. OUR DISCUSSIONS TODAY WITH THIS DISTINGUISHED GROUP OF WITNESSES WILL BE EXTREMELY USEFUL AS WE CONSIDER A WIDE RANGE OF PROPOSALS TO MAKE WELFARE WORK. I DON'T THINK THAT THERE COULD BE A MORE ELOQUENT STATMENT ABOUT THE MUTUAL INTEREST AND COMMITMENT OF THE CONGRESS, THE STATES, AND THE ADMINISRATION THAN THE APPEARANCE OF OF TWO GOVERNORS AND THREE MEMBERS OF THE PRESIDENT'S CABINET AT THIS HEARING.

THAT MUTUAL INTEREST IS CLEARLY OUTLINED IN PROPOSALS NOW BEFORE THIS COMMITTEE. ALL OF THESE PROPOSALS OFFER A WORK COMPONENT FOR WELFARE RECIPEINTS. ENCOURAGING THOSE IN NEED TO REACH A LEVEL OF INDEPENDENCE, A LEVEL WHERE THEY ARE SELF-SUPPORTING, IS A GOAL WE ALL APPEAR TO SHARE. THE LEGISLATION BEFORE THIS COMMITTEE RECOGNIZES THAT WE MUST DO A BETTER JOB OF HELPING HOUSEHOLD HEADS ON PUBLIC ASSISTANCE TO ACQUIRE THE NECESSARY EDUCATION AND TRAINING TO FIND GENUINELY GOOD WORK OPPORTUNITIES, THE KIND THAT PROVIDE THE CHANCE FOR ADVANCEMENT, INCOME GROWTH, AND SELF-RESPECT.

THERE ARE MANY ROADS WE CAN TAKE TO REACH THESE GOALS. I COMMEND THE CHAIRMAN FOR BRINGING BEFORE US THOSE WHO ARE TRULY EXPERT IN THIS AREA: SECRETARY OTIS BOWEN, SECRETARY LYNG, SECRETARY PIERCE, AND GOVERNORS CASTLE AND CLINTON. I WELCOME THEIR INSIGHTS, AND LOOK FORWARD TO REVIEWING THEIR TESTIMONY.

I ALSO WELCOME THE CHAIRMAN'S STATEMENT, AND I LOOK FORWARD TO WORKING WITH THE MEMBERS OF THE COMMITTEE TO FASHION A BIPARTISAN APPROACH TO THE CHALLENGE BEFORE US.

The CHAIRMAN. The hearing will come to order.

This is the first in a series of hearings by the full Finance Committee to address the very important subject of welfare reform. Some of the programs we will review, like Aid to Families with Dependent Children, are more than 50 years old. They had their origins back in Franklin Roosevelt's New Deal, the Social Security Act of 1935.

President Roosevelt had a knack for creating hope from despair. He had a great deal to say about opportunity, compassion and social justice in America. He also had something to say about reform: Roosevelt said we must reform if we want to conserve, and he was right.

The Finance Committee hearings that begin this morning will focus on how we can reform welfare programs to conserve the best of the past and give us new latitude in trying to find new solutions to old problems.

We proceed from the premise that America cannot afford to perpetuate dependency and despair, especially when children are involved. If ever there was a subject that liberals and conservatives ought to be able to get together on, it is investing in the children of America, and trying to see that they lead productive lives. If you are the toughest kind of fiscal conservative, you have to understand that this nation cannot afford to have a major part of its society not participating in the mainstream of America and adding to its productivity in the very competitive world that we are facing today.

We are being challenged to make the maximum use of some very finite resources, and we know that successful reform demands change and it demands flexibility. It requires an honest effort to tap the creative potential and the resources of our Federal, State and our local governments. Our objective is to reduce the number of people that are dependent on welfare. We want to provide real long-term employment for welfare recipients, and by emphasizing job programs, we will be looking for more private sector involvement in our efforts.

This committee has jurisdiction over significant welfare activities, but no single committee, legislative body, or branch of government can hope to untie the knots that tangle our welfare programs. I hope we can see partisanship submerged, and that we will avoid jurisdictional bickering when we are considering programs that serve as a lifeline to millions of Americans.

Later this morning we are going to be joined by several cabinet officers, and we welcome their presence. I want them to know that we stand ready to work with the Administration, that we are looking toward bipartisan solutions to find honest, affordable answers to the problem of welfare.

I have made that point in regard to trade, and I am making it again with respect to welfare reform. Everyone has an opinion about welfare. I know one of the few positions on which we all agree is the necessity of reform. We can argue about whether welfare is working as intended, but no one can deny that welfare related problems are increasing faster than the resources that we have to devote to them.

At a time when the stock markets are booming and millions of Americans are prospering, there is also a deeply troubling undercurrent in our society. One-quarter of our children live with a single parent, and every chart you see shows that that is going to increase and increase materially in the future. There is a transformation taking place in the family structure of America. Twenty percent of the babies in America are born to unwed mothers. In an ocean of prosperity, one-fifth of our children live on barren islands of poverty. The number of children receiving Aid to Families with Dependent Children has more than tripled over the past generation.

Those statistics point up our failures of the past; they challenge us to deliver on the promise of the American dream, and they suggest that we really are behind the curve on making that dream a reality.

One lesson we have learned from 50 years of experience with welfare is that there aren't any shortcuts to success. There are no easy, inexpensive, undiscovered answers; and these governors who are about to testify have found that on their home grounds. Our success is going to be measured over the long term. First it is going to require a stable funding mechanism, a tolerance for new ideas, and the courage to make some tough choices between the competing priorities.

One of the things I want to do is to guard against any false expectations from these hearings and proceedings. We are not about to bring about a magic transformation of the welfare program. Hopefully, we can make it better, more efficient, and more responsive. I think it is time that we move away from traditional welfare and begin to emphasize the acquisition of real job skills that lead to permanent, productive employment. We must see to it that parents honor their responsibilities to their children.

We have set a difficult and complex task for ourselves, but we have some really important resources to draw on. I look at this man here on my right, Senator Moynihan, who chairs the Subcommittee on Social Security and Family Policy. He has devoted much of his life and many of his very substantial talents to the problems of welfare, and has written quite a number of books on that issue. I have had the pleasure of reading some of them, Senator—I haven't read them all. His Subcommittee hearings have provided the foundation on which we hope to build, and he will be conducting additional hearings in that subcommittee, I'm sure. I want to acknowledge Senator Moynihan's contribution and his expertise on this issue.

So, as we begin, I hope we will come up with a bipartisan, cooperative effort on welfare reform. The Chairman of this Committee is going to be involved. I want to see it brought to a successful culmination. I want to stress flexibility and realism in our approach to the problem, and I sure want to strengthen the child support enforcement system, but I am not convinced that that alone is going to generate enough revenue. I want to encourage our State and local officials to assume greater authority and responsibility for welfare in America.

We are looking for answers that are going to strengthen families, build a more stable social order, and provide new elements of opportunity for millions of Americans. If we are successful, that will be one of the greatest things that this committee can have accomplished.

We are pleased to welcome Governors William Clinton of Arkansas and Michael Castle of Delaware, both of whom have enviable credentials in welfare reform. They are appearing here on behalf of the National Governors Association, which has been very active in welfare reform.

But before they proceed, I would like to defer to my friend Senator Moynihan for any comment he might have.

Senator MOYNIHAN. Mr. Chairman, thank you for your very generous remarks and your very affirmative statement about the task we commence on this occasion.

Just a short preface, if I may: In 1983 this committee took upon itself the reform of those aspects of the Social Security System that deal with the provision of benefits to adults. They were in some difficulty, as you remember. Frances Perkins, former Secretary of Labor, had predicted the system would run into trouble around 1980, and she was remarkably right.

And we have done very well, sir. I can report—as I am sure you know, but just to say to the governors—that the trustees of the Social Security Trust Fund have just released their 1987 annual report, and they find the funds in close actuarial balance for the next 75 years. They see a continuing, increasing surplus for the next 40 years. That is quite an achievement. To some degree, in this generation we have resolved the problems of the provision of Social Security for the aged.

I think it should be emphasized that what we call welfare is Title IV of the Social Security Act, as the governors know—Governor Clinton is nodding. It was a work of the 1930's, and it was passed in a very different context, in a context that assumed that this was a bridge program until Survivors' Insurance would take over for families in which the earning partner—usually the male, the father—had a job. This was a widows' pension.

Fifty years have transformed American society and transformed the program. Only about 5 percent of the recipients of AFDC today are in fact widows. And yet, while most married women with children are working, this group is singular in that it is not—only about 5 percent of adult AFDC recipients are working part or full-time.

The other point to make is that, apart from public schools, this is I think the single most important program touching the lives of American children. More are involved in their lifetimes than with any other program except, I suppose, the smallpox vaccination or the like.

At any given moment, as we have said, Mr. Chairman, nearly a quarter of the children in the country are living with a single parent. Over their lifetimes, most children now do. Sixty-one percent of the children in this country may live in a female-headed household before they are 18. And of this group—we can't be very precise, because we don't know, but something like one-third of them at some point can expect to be on welfare before they are 18. That is extraordinary. That is something that we never could have expected. In looking back from 1935, you could look forward to the growth of wealth and opportunity in this country; but you would never have predicted that half a century hence a third of the children would be on public assistance in their childhood. And that is what we are here for, sir.

As you know, the governors have made welfare reform their principal concern this year. Governor Clinton has so ably represented the whole body, and Governor Castle has appeared before our subcommittee and has made a most vastly important presentation. We welcome them back.

Thank you, sir.

The CHAIRMAN. Thank you, Senator Moynihan.

Senator Pryor?

Senator PRYOR. Thank you, Mr. Chairman.

Mr. Chairman, I want to thank you this morning for holding this hearing. As Senator Moynihan has so eloquently stated, there is probably no more important subject next to education that we have to deal with—the issue of reform in the welfare system that we have at this time.

Mr. Chairman, too, I would like to take just a moment to praise Senator Moynihan. For 30 years—three decades—this distinguished Senator on my left, Senator Moynihan of New York, has been talking about this issue as it relates to the American family. And frankly, we may not have been listening to him three decades ago. Some of the things that Senator Moynihan was saying then fell by the wayside; but today his writings, his public utterances, and his statements are almost prophetic. Senator Moynihan has certainly been instrumental in trying to make this a national issue. Now that he has—I know that he has had long periods of frustration in trying to get our attention—he has our attention, and I think the attention of the entire country.

So I want to thank you, Senator Moynihan, publicly.

And second, Mr. Chairman, let me say something about at least one of our witnesses—I don't know Governor Castle as well as I know Governor Clinton. I have known Governor Clinton since I guess about 1966, and today I am very proud that he is not only the Governor of our State of Arkansas but also that he is also the Chairman of the National Governors Conference. He has taken on the issue of welfare reform, among the 50 Governors of our State. He also knows very well the tie-in and the interrelationship between education and welfare, and the welfare system.

Governor Clinton is not only championing within the Governors Association the need for welfare reform, Mr. Chairman, but also on the home front in the State of Arkansas he has taken some very bold positions about educational reform. In fact, he has had a hard time with the legislature. And I truly believe that he has moved the issue of education to the very forefront of thinking and concern in the Arkansas man.

So, I want to commend my friend Governor Clinton today for being here and once again talking about this issue as eloquently as you have in the past, as I know you will today.

I don't know whether it was Roscoe Pound or Learned Hand, or whoever, but when I see Governor Clinton and Senator Moynihan here I am reminded of a great statement, that "the role of the re-former is no task for the faint-hearted." Neither of you are faint-hearted, and our country is better off because of both of you.

Thank you.

The CHAIRMAN. Thank you, Senator Pryor. We have three members of the Cabinet that will follow you in a pretty tight schedule.

We are just delighted to have you both here. We are very pleased with the work you are doing, and we want to hear about it.

Governor Clinton?

STATEMENT OF HON. BILL CLINTON, GOVERNOR, STATE OF ARKANSAS

Governor CLINTON. Thank you very much, Mr. Chairman and members of the Committee. I would like to very briefly describe how the Governors came to their position on welfare reform, what the position is, and what we feel we need from the national government and specifically from your leadership, Mr. Chairman, and Senator Moynihan and the members of the Committee.

For the last several years, for very obvious reasons, the Governors of America have been preoccupied with the issue of education. When the Nation at Risk Report was issued in late 1982, it was a clarion call for a comprehensive effort to get our education system back in order, to recover the potential of our people, for economic as well as social and human reasons, and we have set about doing that.

We recognize and welcome the fact that the primary responsibility for education reform had to fall on State and local government, and I think it is fair to say that throughout the country, without regard to party or region, there has been an aggressive effort to turn the education system of America around, and the results are beginning to be manifest.

About a year and a half ago, Governor Castle and I agreed to co-chair a Governors task force on this issue of welfare reform. Then, after I became the Chairman of the Governors Association in August, I asked Governor Castle to continue as the chair of that task force and to put this in the forefront of our efforts this year. I did it because it seemed to me it was clear that, if the Governors did everything they could possibly do in every State in the country to reform the education system and to give everything we needed to give to our schools, we would still be far short of the mark in where America needs to be in developing the human potential of its people if we continued to have welfare dependency, a 25-percent drop-out rate, illiterate adults, rampant rates of teenage pregnancy, drug and alcohol abuse, and all sorts of handicapping conditions among our young people.

So, we decided we ought to look at this not so much from a welfare reform perspective as a perspective of independence. Governor Castle will say more about that in a moment.

What the Governors are trying to get at is: What are all the things we should be doing to try to develop the human capacities of people who will not be sufficiently helped if all we do is reform the education system?

Obviously, one of the key things we need to do is to reduce welfare dependency, and we think the way to do it is to shift the whole value system, if you will, of the system as it now exists. Basically, it is an income-maintenance system with a very minor education and training and work component, one which some seek to phase out in this session—and I hope you won't go along with them on that, by the say.

But what we would like to see is a system which has income maintenance, an adequate income-maintenance system for our children, but one which emphasizes a path to independence. That is basically what our welfare reform policy does. Its components are fairly simple and straightforward:

One, we believe that every welfare recipient should sign a contract with the State, making a personal commitment in return for benefits to pursue an individually-developed path to independence. That includes education, training, and eventually work.

Two, we believe that in return for that the welfare recipients should be guaranteed not only adequate benefits for his or her children and for their livelihood but also, in taking a job or pursuing education and training, adequate transitional expenses for child care and Medicaid coverage for the children so that there will never be a disincentive to move toward independence.

Three, we feel that this contract has to be enforced not only on the part of the recipient but on the part of the State, through a case-management system which will give more individual attention to individual recipients and their families.

Next, we think that there should be a flexible State-designed work program which enables us to do for individual recipients what should be done, and that everybody with a child three years or older should be required to participate.

Fifth, we think that this program should be accompanied by—as you have already indicated, Mr. Chairman—a strong and well-coordinated child support enforcement program that underscores our basic belief that parents must support their children through their own efforts. Governor Castle will say more about that in a moment.

Finally, we believe that as we realize savings from these programs, from making people more productive, and getting them off the welfare rolls and breaking the chain of dependency, we should lean toward an assistance program which would contain a State-specific family living standard of benefits, which would be developed according to a national methodology, which we have put forward in our policy, and which we can discuss at greater length if you would like.

We do not favor imposing that immediately, because we don't think it is affordable either by the Congress or the States, and we recognize that some States have deficient benefits, but we think that the increased benefits should primarily be financed out of improvement in investments and savings from the work and education and training components of the program.

Now I would like to briefly review where we are with this policy statement. On most of our other initiatives, we are saying to the Govenors: "This is what you have to do." "This is what has worked in Illinois in teenage pregnancy prevention; this is what you ought to do in Arkansas." Or, "This is what has worked in Kentucky in drug abuse; this is what you ought to do in Delaware." "But on this issue, we cannot do more without action from you. We have got to have some national legislation to embody the fundamental ideas in this welfare reform proposal."

We have been working on the House side with the House Ways and Means Committee, and specifically the Public Assistance Subcommittee, with a bill sponsored by Congressman Ford. The bill is in markup. I appeared there a couple of days ago, and the committee has been most forthcoming in working with us in trying to work out a bill that is consistent with these fundamental principles. Now, the cost of the bill had been scaled down substantially. In the last few days some of the orientation has shifted, and I think it is fair to say that we are getting close to an agreement between the National Governors Association and Congressman Ford and the other members of the subcommittee.

The Administration has agreed in principle with the fundamental outlines of our welfare reform policy. As you know, they will be testifying here after us. The President favors a series of demonstration projects among States and no structural reform for five years. I think it is fair to say that the Governors' position is not necessarily in opposition to the Administration's call for demonstration projects and for including far more federal programs within those projects than just AFDC, Medicaid, food stamps, and child care; it is simply that we feel that we don't have to wait five years to make the changes we are advocating. If, over and above that, the Congress wishes to permit greater flexibility in demonstration, that's fine with us; we think that the two things should be done together, or we should at least adopt these fundamental changes.

As in many States, I will give you one example, the State of New Jersey, where Governor King is already moving to adopt a welfare system that is consistent with our policy, and he is also eager to participate in the Administration's demonstration projects. We have no quarrel with that, but we are deeply opposed to passing up what I think is a phenomenal opportunity to make significant improvements in the welfare system by waiting five years to do anything.

So, basically that is where we are. It is not for me to judge what your role should be. But I would say, Mr. Chairman and members of the Committee, that the Senate and this Committee will play a pivotal role in determining whether we get welfare reform. If you can work out an accommodation with the House that will pass the Senate, I think that working together we can persuade the President to sign a bill. If it is a bill that is within the limits set by the Governors' policy position and hopefully the limits toward which we are working in the House, we have got a shot to get really significant welfare reform out of this session of Congress. I think a lot of that ball is in your court, and I am deeply grateful for your interest in this issue and for the time you have given us today.

I would like to now yield the remainder of our time to my colleague from the State of Delaware, who has done such a masterful job heading our task force.

The CHAIRMAN. Well, that is most helpful, Governor.

Governor Castle, we are delighted to have you and look forward to your testimony.

[Governor Clinton's prepared testimony follows:]

National Governors' Association

Bill Clinton
Governor of Arkansas
Chairman

Raymond C. Scheppach
Executive Director

STATEMENT OF

THE HONORABLE BILL CLINTON

GOVERNOR OF ARKANSAS AND
CHAIRMAN OF THE NATIONAL GOVERNORS' ASSOCIATION

AND

THE HONORABLE MICHAEL N. CASTLE

GOVERNOR OF DELAWARE AND
CHAIRMAN OF THE NGA COMMITTEE ON HUMAN RESOURCES

before the

COMMITTEE ON FINANCE

UNITED STATES SENATE

on

WELFARE REFORM

April 9, 1987

HALL OF THE STATES · 444 North Capitol Street · Washington, D.C. 20001-1572 · (202) 624-5300

Mr. Chairman, distinguished members of the Committee, it is our pleasure to be here today as Chairmen of the National Governors' Association and the Governors' Welfare Prevention Task Force to present our views on a topic we consider to be of great importance--welfare reform, or, as we prefer to characterize it, developing a reinvestment strategy for our most valuable asset, our people.

For far too many years now we have ignored the need to invest wisely in our people. The results show up in discouraging statistics that chronicle rising numbers of our teens giving birth out-of-wedlock, increasing numbers of our youth who never complete high school, rampant problems of substance abuse and adults who lack the basic literacy skills that will enable them to compete for jobs in the new global marketplace.

We believe that it is time to reverse this tide that belies the American dream and threatens to mire us in a hopeless and despairing future. But just as our problems did not appear overnight, we cannot solve them overnight. The Governors' believe that the reform of our human service systems must be a carefully thought out, incremental process. We believe that one place to begin is with an investment strategy aimed at children and their families--a strategy designed to reduce the incidences of poverty and its debilitating effects on our youngest and most vulnerable citizens. We believe that our welfare system, indeed all of our systems designed to serve human beings, must reflect our strong belief in the values of individual and familial responsibility and in the power of a productive life.

After a year of study and debate, the nation's Governors adopted a policy on welfare reform at our winter meeting in Washington in late February. We believe that the principles incorporated in our policy constitute an important first step in turning this nation's welfare system upside down, establishing a system that is primarily comprised of education, training, and job opportunities with the addition of an income assistance component.

The key components of our policy include:

- A strong, well-coordinated child support enforcement program that underscores our basic belief that parents must support their children through their own efforts;
- A flexible, state-designed work program which accommodates remedial education, training, job placement and experience;
- A requirement that all recipients of cash assistance with children age 3 or more participate in a work program;
- A binding contractual agreement between the recipient and the government which assigns clear, mutual obligations--the client to strive for self-sufficiency and the government to provide adequate support services for a designated period of time as the client moves towards economic independence;
- An enhanced case management system at the central point of intake and assessment of a client's needs, resources and the steps necessary to move the client towards self-sufficiency; and
- As we realize savings from a strong work program, movement towards a cash assistance program which would ultimately be a state-specific family living standard developed according to a nationally-prescribed methodology and paid, as a minimum, at a nationally-prescribed percentage of that state's family living standard.

We believe that these components, taken together, comprise a very important step for the federal government and their state partners to take in moving this nation towards reinvestment in its most important resource--its human capital.

The Governors recognize that a strong, nurturing family in which each parent assumes basic responsibilities--financial, developmental, psychological and spiritual--for their children is our first line of defense against human despair, waste, and limited options. At a minimum, we must develop the strong child support system that will enforce the belief that each parent has a responsibility, through his own efforts, to support the children he has brought into the world.

Another critical link in this first step towards a "reformed" national investment strategy is to provide a flexible employment program with a rich mix of services ranging from remedial education and training to child care and with a strong case management component to ensure that services are, to the extent possible, individualized to recognize the client's needs, resources, and family circumstances. Our policy also encompasses the notion that government can help remove disincentives to work and smooth the transition to self-sufficiency by providing key ancillary services like day care and health care coverage for some period of time after an individual leaves a training program and enters private employment. The Governors believe, based on our experience and on the research, that only such a program will provide the genuine opportunity for people to reach maximum self-sufficiency that we all agree should be at the heart of our "welfare system."

With a more vigorous and effective child support system and a rich and flexible work program in place, we would urge the Congress to join us in looking for a way to revise our income assistance program so that assistance to support both the families moving towards independence and those families we might never expect to become totally free of their need for our help, will be fair and adequate to sustain and nourish our children regardless of where they live. We would encourage you to ask a non-partisan, credible organization like the National Academy of Sciences to study our proposed family living standard which we believe has potential as a way to recognize both a market-basket approach to determining costs of living and differential costs of living and among the states and make recommendations back to this Congress in two years for a equitable and affordable way to revise our income assistance system.

If the Congress takes these steps as well as affording the state's maximum flexibility to demonstrate potential solutions to the broad range of seemingly intractable human problems that lead people into despair and dependency we believe that you will have charted a course to turn our welfare system around. But we must all recognize that these steps are but components in a series of strategic investments we must make.

We have proposed changing an income system with a minor work component into a work-related system with an income component. We have proposed a fundamental shift in welfare policy from subsistence to prevention. But the idea of preventing problems rather than treating their consequences is gaining ground as the Governors move towards prevention oriented programs which reflect our belief that we must not waste lives and dollars treating the effects when we can attack the causes.

When the Governors began their work on the welfare reform policy last year, they did so in the context of developing a strategic plan for welfare prevention--a strategic plan that recognizes that there are a variety of barriers that people must overcome if they are to stretch and reach their full potential. We are now engaged in a year-long project which will culminate in articulating state action agendas for dealing strategically with a series of cross-cutting problems, teen pregnancy, school dropouts, adults with impaired literacy skills and alcohol and drug abuse.

Consider:

- The public cost to support mothers who give birth as teenagers is about $20 billion annually;
- The public costs to society of alcohol and drug abuse exceed $150 billion annually;
- More than one in seven of our youth fail to graduate from high school;
- Eighty-five percent of all high school dropouts have below-average basic skills, and dropouts are two and a half time more likely to be unemployed than high school graduates;
- Of twenty-one million young adults, a recent National Assessment of Educational Progress (NAEP) study estimated that at least ninety-five

> percent of them could read and understand printed words. However, only half of those tested could perform mid-level information processing tasks and less than ten percent could perform high-level tasks.

Such unhappy statistics scare us. As Marian Wright Edelman, President of the Children's Defense Fund has said, "we have a national catastrophe in the making." Neither the Governors nor the Congress can afford to ignore the facts.

The questions before us all is how to bring down these barriers to productive lives, reinvest in our human capital, and put America back in field position to participate competitively in a global economy. We must act in concert--Governors, Congress, county commissioners, mayors, state legislator, citizen advocates, communities, churches, and all who share in a dream of a return to that community of caring from which this country sprang. We must act, however, deliberately and thoughtfully, incrementally implementing investment strategies based on tested ideas. We must reverse the rising tide of discouraging statistics and the hopelessness they portray.

Where do we begin? Gordon Berlin of the Ford Foundation offers this sound advice. "No single point-in-time intervention will make a major difference. Interventions all along the development continuum are needed to overcome the pervasive and perverse forces that constrict the life options of our youth growing up in poverty."

The nation's Governors will heed that advice as we launch strategic action agendas aimed at critical points of intervention along a development continuum in our states. We urge the Congress to also take heed. The statistics that so discourage us all are not the result of a single failing at a single point in time. We should not expect that we will find our solutions in a single piece of legislation at a single point in time.

We have laid before you our policy recommendation for an important first step towards reinvesting in our people. Neither the states nor the Congress can fall into the belief that if we can't do it all we shouldn't do any of it or the belief that we can take a step forward and assume we are through. The "welfare" problem will only be solved when we have put into place those multiple interventions that ensure we do not mortgage our future by ignoring our need to invest in our present.

The nation's Governors stand ready to work with this Committee and this Senate to fashion not only a credible, affordable first step but in all the steps to come. Our problems are complex but they are solvable. We cannot afford not to solve them. Beginning now we must create a community of caring in which we invest wisely in each other and in our individual and common potential. Our very survival as a nation of compassion, creativity and strength depend on it.

STATEMENT OF HON. MICHAEL N. CASTLE, GOVERNOR, STATE OF DELAWARE

Governor Castle. Thank you, Mr. Chairman. I am very, very pleased to be here, and let me just say that the work that Governor Clinton has done in heading the National Governors Association has really led us to the point of being able to be here today and to speak with some degree of certainty as to how the other Governors are thinking, because he has put together a project in his one year as head of the Governors Association which is called "Breaking Down the Barriers." I think it has made a lot of us, who perhaps had previously focused on things like economic development and balancing our budgets, and either cutting or raising taxes, or whatever it may be, focus on a lot of the problems of the poor. I believe you or Senator Moynihan mentioned the 20 percent of this country that falls in this category and the one-third of the children who will be on welfare at some time during their lives; but there clearly is an interrelationship amongst all these problems. We can talk about any one component, but you have really got to put together about 10 or 15 different things to truly understand the problems of a family in America as it deals with these things.

The Breaking Down the Barriers Project is attempting to do that, and I thought I would discuss with you one very specific subject which I know is of a great deal of interest to Senator Moynihan and I know this Committee as a whole, which is the question of child support and some of the things that are goin on, and some of the things we are doing in our State, for example, which have been very helpful.

Then I thought I would discuss the issue of prevention, because a lot of what we are doing is aimed at preventing these problems from happening to begin with. I think it is very interesting that we can take an approach that would do that.

Let me start with the child support situation. Some of these statistics are mind-boggling. I don't know who always compiles statistics or whether or not to even believe them, but some of those things we have learned in this area are very alarming, just as statistics.

One of these is that, of all female-headed households in this country, only about 14 percent receive child support through State agencies, and most of these families get an average of $25 per week. So, clearly, not too much is being done in that area.

In 1983, $10 million was ordered in child support through the courts nationwide, and of that amount about one-third of that was not collected at all. We have looked at those statistics, and they are probably substantially no different in Delaware than they are in other States, and we started to do some things about it.

The first is the most obvious: We have adopted tougher laws on wage in tax return attachment. We have tried to make it simpler. And as a lawyer who went into courts with a number of people who were to receive child support before I became a Governor, I can tell you how difficult it used to be to get that done. We have started to break down that particular barrier so that we can get a way to sources of income to make sure that is done.

Paternal identification is another interesting area. They say that only 12 percent of current AFDC recipients have been able to identify the fathers of the children involved—or have been willing to, or whatever it may be. Well, clearly that has to change. I think we have to have some generally young men in this country understand that, if they are going to be fathers, they basically are going to have an 18-year contract, with the State involved in that contract, to help support the children who are theirs. I think that anyone who believes that a child is going to be born and that we are not going to make an effort to go out and get their support, be they a mother or a father, is just sadly mistaken about the way the system must work if we are going to bring it together.

We have more extensive computer networking, we have given access to labor information, we have given access to motor vehicle information—which, by the way, is a very interesting source of information when you really want to find out something about people.

We have set up an exchange with New Jersey, as an example. As you know, Delaware is a very small State, and if you just get in a car and go a few miles or get on a boat in the outgoing tide, you can leave Delaware rather rapidly. People tend to do that and go someplace else to work, unlike Texas, where people find a little more difficulty in moving around.

We have one case in which we are working with New Jersey and probably their Department of Labor, whatever it is called, to track down a father who is working in Saudi Arabia, and apparently in a fairly substantial job. We were able to collect $50,000 in back support from that particular father for the mother. I imagine he was quite surprised when somebody knocked on the door and asked him for $50,000; but that has now been accomplished.

We are stressing stronger advocacy for child support. We have felt that in the past too few groups were really interested in this subject. We are working very hard to make sure that mothers and children have organizational support in terms of what they are doing, and access to the governmental and political process that makes it come to life. And of course we have had to increase our child support staffs substantially to help with all these problems and the things that we are dealing with.

The results are that collections have increased by 62 percent, and we expect a further 16-percent increase in the course of this year. For every dollar we are spending on child support collection, we are now collecting $5.62, and that is quite a bit better than the average State. But it is an indication of what you can do if you put some money into that.

So, in that particular area, which I think should be a component of anything we do in the area of welfare reform, we can do a lot more if the States will pay attention to it.

Now, I would like to turn to the subject of prevention, which is a favorite subject of mine and of the Governors in general, because I think it is a very, very important factor in a lot of what we are talking about today.

Governor Clinton has spoken eloquently, as always, about the welfare reform situation, but we really need to overhaul the existing system, and we really need to make absolutely sure that it becomes a work system which can break the cycle of welfare. What we don't often realize is that welfare is often in family cycles of perhaps 16 years, and you will see whole families in which people are one year of age and 17 years of age and 34 or 35 years of age and on up, and it is a continuing cycle with nobody taking the steps to break it. We really need to do that, and we really need to make use of this valuable human capital that we have.

They say there will be more jobs than people, age-wise eligible to hold the jobs, come the year 2000. If that is true, we need to look to that particular part of the population to get things done.

You mentioned consensus earlier. I couldn't agree with you more. I don't think I have ever seen a subject since I have been in government in which there seems to be more consensus among liberals and conservatives, with Governors and the Senate and the House, and the Administration. Everybody seems to understand that basic welfare reform is needed. I think it is something that can get done if we keep our eye on the ball, if we can work out the seeming disagreements, because there is infinitely more agreement than there is disagreement on this subject at this time.

We know that we pay out something like $20 billion a year to support teenage mothers. We pay something like $150 billion for drugs and alcohol—another example of some of the things that we have to deal with. And we have decided that we need to look at a number of these particular problems.

We have estimates of school dropouts—you hear them, 20 percent, 25 percent in some cases. It has been shown that 85 percent of all high school dropouts have below-average basic skills. We have learned that very few of them really go on to successful lives as those who are able to graduate. We have found out that 95 percent of young adults could read and understand what they read, but only half of those could really perform at mid-level information processing tests, and only one in 10 could perform at high-level tests. So, we have the whole dropout problem to worry about.

We are of the opinion that a lot of our present approach, while it may temporarily solve some of those things, really in the long run perpetuates those problems, and obviously perpetuates the costs that we have.

So, we have started to look at different areas of prevention. One of those, and a clearly important one, is the area of teen pregnancy. A lot of these problems begin because of teen pregnancy—all the way from infant mortality to almost all the problems we cover in the interrelationship of problems that exist out there.

The dropout problem is another one which the Governors are looking at now to prepare a State action agenda on, and dropouts is another area in which prevention can work. I know that we are looking at the elementary school and middle schools as well as high schools. It has always started when people were 14 or 15 years old. But the truth of the matter is that dropouts probably begin when somebody is five years old, or even younger for all that matter.

Adult illiteracy is another problem. There is nothing greater—we probably have all done it at one time or another—than going to give a graduation speech to a class of adults who were perhaps illiterate but who are graduating, which is a wonderful thing.

And the whole question of alcohol and drug abuse, which leads to so many of these things. We and the Governors have started a program called "Focus on the First Sixty Months." This is an effort to try to intervene at a very early age to deal with some of these problems. We are looking at prenatal concerns—that is, low birthweight babies and what we can do in that area. We are looking at child health care. We are looking at child nutrition. We are looking at early school programs.

For instance, in Delaware we have adopted a four-year-old program, and from that program we are going out into the homes, and they have identified other siblings who also have learning problems. So, we are starting to deal with some of these problems at the age of two and three, instead of waiting until they are five years old and are to some degree fundamentally shaped in terms of where they are going educationally, because we felt that it would work, and it seems to be working extremely well. We are well pleased with that, of course.

Gordon Berlin, whom I have never met, is with the Ford Foundation. He said something which I think was very substantial with respect to all of these kinds of programs. He said, "No single point-in-time intervention will make a major difference. Interventions all along the development continuum are needed to overcome the pervasive and perverse forces that constrict the life options of our youth growing up in poverty." That is a deep statement; but, when you think about it, I think it makes a lot of sense.

We believe that a lot of the programs in the last decade, a lot of the elaborate and expensive things that have gone on, and those that have been developed since the 1930's have been under a growing attack. You have indicated at the beginning of this hearing the reasons for the creation of welfare and what it has come to be today, and that is really not surprising. I think it is almost inevitable, when you see those changes and after half a century of welfare, that the pendulum would start to swing, would start to reverse direction.

But I think something important to note is that today it is increasingly apparent that what might have happened is not happening, that people's worse fears are not coming to pass. Among all the people who are concerned about welfare, what we are seeing is that we are not abandoning people, we are not withdrawing support from those who need support. Nobody is advocating that at this time. I sense a growing conviction among those who make the laws and who administer them that we can reduce the tremendous tax burden we have imposed on our citizens, and that we can dramatically reduce government's role as a provider of the first and last resort, and at the same time improve the system. We can make welfare work better. We can attack the problems of drug abuse, teen pregnancy, high school dropouts and adult illiteracy and actually solve them. And instead of simply eliminating expensive programs, we are beginning to understand how to eliminate the need for these programs.

Most important of all, perhaps, and something we tend to overlook sometimes, is that we can really help people eliminate their problems. We can help those people go back into society and enjoy the opportunity of living the way we think people should be able to live in America.

Government is learning the same lesson that American business has been forced to learn, that we make decisions on the basis of short-term performance at our peril, and that we must be willing to invest our resources for the long term.

The welfare issue has demonstrated better than any study at all the real value of federalism, and that is what we can accomplish if we can work together. I am convinced that, if we stay together for the next few months, we are going to achieve the great goal of welfare reform. I think we are on our way there.

I am pleased to be here to have the opportunity to participate in it.

Thank you.

The **Chairman**. Those were two excellent statements. It just points out, I think, that we had a major tax reform bill here last year, and it is going to have an impact on the economy of this country; but it won't compare to the impact that we will have on the future of our country if we are really able to make some serious headway on this problem. And the fact that I see here a Democratic Governor and a Republican Governor preaching from the same book really pleases me very much. This isn't a partisan problem; this is one that we have to work together to try to resolve.

I am a real soft touch when it comes to kids and trying to see that they lead a productive life. And you talked about neonatal health care and prenatal health care; I have been very much involved in that, not only here but back in my State.

People can adjust to tax laws, but they can't adjust to some of the disabilities that result from low birth-weight babies. We ought to be investing more in preventive measures to keep unnecessary tragedies from happening.

But as you talk about these initiatives you are talking about expanding the search for employment. At present we say to a woman who is on welfare, if she has children under six, "We are not going to trouble you about searching for employment." But today you are suggesting we change that, and drop the age threshold down to three and maybe ultimately, as I understand it, to the age of one.

I came out for a daycare program more than a dozen years ago, and I remember all the flack I took. We are beginning to recognize that two working parents have a need for such services. But when we look at these needs in this limited budget climate, where should we set priorities? You recommend more training programs, more daycare assistance, expanded Medicaid, expanded cash assistance, and that is just a few of the expenditures that may be helpful; what are your first priorities? Because just as I noticed on the House side that they have had to cut the cost of their original proposal in half, we are going to have to make adjustments and choices among priorities.

Give me your advice and counsel.

Governor **Clinton**. We believe that the two priorities should be, first of all, beefing up the education and training requirements. That is, today under the WIN program every State is required to require recipients with children age six or over to participate. But if you analyze it closely, there are breathtaking differences among the States and within the States in the quality of the education and training programs. That is one reason that you get some people going off welfare and coming right back on. You know, you may just teach somebody how to show up in an interview, and they get a job at a restaurant that goes out of business next week, or something like that. So, we think that that should be beefed up. Presently, only 1 percent of total welfare expenditures goes to the investment side of the ledger, as opposed to the maintenance side of the ledger, into the education and training.

Now, we also believe, however, that you are going to have to spend some money for transitional childcare and Medicaid if you want the program to work, especially in the States where there is a fairly low unemployment rate and where the only jobs which may be available may be at the lower economic rung. You don't want there ever to be a disincentive to go to work, and if you don't have some transitional childcare and Medicaid expenses, then a responsible mother with two or three kids is not going to go to work and lose the ability to send her children to the doctor.

So we think you can finance benefit increases later on; but in the beginning there must be some transitional childcare and Medicaid, and there must be an increase in the education and training.

What they are going to try to do on the House side is at least start with maintenance, maybe, and the expansion of the existing education and training program and some transitional childcare. But we think you have got to do those three things at some level, in order to make a big difference.

The CHAIRMAN. Well, you talk about a new work program, you talk about a cash benefits program, and yet we must also talk about a shared program. Do you think welfare is still a shared program under what you are proposing, between the Federal Government and the State? How would you define the parameters of that partnership?

Governor CLINTON. Well, I think the States should have certain responsibilities for administering the program and should make contributions to it, as we do today and would under our proposal. You would have to fix the percentage of the contributions, but all of the established channels would provide for some contribution by the States.

The CHAIRMAN. Governor Castle?

Governor CASTLE. Let me go back for just a moment and try to answer, as the way I look at welfare just on a local basis.

First and foremost—and this is what I really mean by welfare reforming—wherever I speak about this, people will come up and say, "That is absolutely correct," I think is the whole component of the training, the education and the work relationship. I think we really have to separate it from the cash benefit.

We know that the States have been given the right, basically, to set their own standards. There has been criticism of this, and Representative Ford's bill addresses this to some degree. And I am not suggesting that it is not important; as a matter of fact, in Delaware we need to do more than we have already done, I think, as well as a lot of other States which are probably a lot poorer than Delaware. But nonetheless, the true essence of welfare reform lies in the fact that we are trying to get people off of welfare, and we need to do everything we can with respect to that.

If you are going to have training, you are probably going to have to spend up front in the course of a full fiscal year about a billion dollars, more or less, by our numbers, anyhow. You need to provide daycare, because you can't ask mothers with children to come in unless you provide some sort of daycare. You have to do that. You have to have some sort of caseworkers with a contract system, in order to make sure the system is going to work with respect to those people. And you need the education and training programs. You have to fund those things. That is the key component. That is what is working in Delaware, it is what is working in a lot of States around the country where people are going through these programs and are beginning to go to work.

Governor Dukakis, if he was here, would tell you that you actually have a net savings in those programs, that within a year enough people work that it doesn't actually cost you any money at all. He would argue that it doesn't even cost you any of the billion dollars because enough people would go to work.

The second thing is the whole work component, and Governor Clinton is absolutely right about that. After you have trained people and they start to go to work, they are probably going to go to work in a low-income situation. They are giving up their AFDC, their Aid to Families with Dependent Children, their food stamps, and, perhaps most significantly, their Medicaid card. Chances are, in a low income job situation, they are not going to have any kind of medical insurance. And I think that we, the States and the Federal Government, have to pay attention to that; we have to look at extensions of Medicaid or some sort of lesser payment to keep Medicaid in place, such as a 50 percent or 40 percent or some payment made by these people, and we also have to look at daycare to make sure that work is a better opportunity than welfare; and if it is not, I don't think any of this is going to work, to be very honest with you, because people are going to sacrifice for their children, and we have to build in that differential. And then, finally, you get to the cash benefit level.

I am not trying to suggest that each of these is not important, but they are each separate, and the one that really catches everyone's attention right now is the real welfare reform—that is, going from a payment system to a work system. That is the one that I think we have to concentrate on in terms of really getting something done.

To answer your question, I think right now it is about an 80–20 sharing in terms of the total cost, Federal to State, and I think somehow we have to continue some semblance of balance with respect to those cost factors. The programs differ—some are 50–50, some are 100 percent Federal at this point—and I think your total payments are $140 billion, or something, when you consider all of the different components of welfare. I don't think you are going to change the balance much.

Governor Clinton can answer better than I, but Arkansas can only do so much more; they have income problems, revenue problems right now, and so do a lot of Southern and Western States. So, there are limits on what can be done.

The CHAIRMAN. Governor, that red light meant my time was up.

Governor CASTLE. Those lights always confuse me when I come here.

The CHAIRMAN. The problem is that we have three Cabinet Officers who are also waiting back there to testify.

Let me say, this is the sequence of arrival of the Senators: Moynihan, Pryor, Rockefeller, and Durenberger.

Gentlemen, if you will please observe the time limitations, so we can also listen to the Cabinet Officers this morning.

Senator Moynihan?

Senator MOYNIHAN. Mr. Chairman, I have had a chance to speak, so I will try to be very brief. But first can I just say—and I am sure the Governors will agree—it seems to me that what you were talking about, gentlemen, is citizenship. You are not talking only about welfare or employment, or anything. You are talking about what it means to be a citizen in this country.

Governor Clinton spoke about "contract," that you owe the society something, and the society owes you something. I think it is a wonderful thing that we are talking about. Put this down on paper. Out in California I have seen their contract; it says, "I will do this, and the State will do that."

Governor Castle spoke of the parent of the young child. That is an 18-year contract. You just have to understand that if you are going to bring children into the world, you are going to have to support them for 18 years. One might say to a young parent, "You may not be making much as a young teenager, but you will be a 30-year-old wage earner one day, and you will still be responsible." And that is what the whole notion of American Democracy is about, that notion of "covenant." It is a powerful idea.

Could I just give you one number and ask you what your judgment is? You are speaking of this as a work and training responsibility, which certainly it is. You know, we have had so much talk about workfare and work incentives, and so forth; the numbers are striking. In the course of the last 30 years a large number of women have entered the workforce. Of all mothers with children 6 through 17 years of age, 72 percent are in the workforce; of mothers with children under 6, 54 percent are in the workforce. The only group not in the workforce are mothers on welfare. They are isolated. They are cut out completely. And they become more so.

Here are the numbers, and I want to ask you to tell me what you think happened: In 1969, 15 percent of the AFDC mothers were employed full or part time—not a large portion, but probably not drastically away from the experience of mothers, of women generally. We go by 15 years, and we are at 1984, and that number has dropped to under 5 percent—it has gone down in the face of a great deal of talk. In the meantime, also, benefits have gone down by a third. It is not as if work dropped in response to an increase in real benefits; real benefits have dropped by about 33 percent since 1970, because they are not indexed to inflation. Have we just been doing this wrong? Or is it that it is very hard to do?

Governor CLINTON. I can only speak for myself on this, but, just very briefly, I believe that the problem as it exists today developed partly because we were doing it wrong, for all of the reasons we have already outlined, and partly because of very deep and sweeping demographic and social trends.

I think there are encouraging signs on the demographic and social front. I think the economic future is uncertain. But we know that the whole baby-boom generation is in the workforce now, your numbers are going to moderate, and therefore there will be a greater demand for people than there has been.

I think that there is a lot of indication that people are trying to help themselves more. The divorce rate is down—the lowest in 12 years. The teen pregnancy rate in a lot of categories is down. There is a lot of evidence that drug abuse among young people is going down. More and more people are trying to get into these adult literacy programs.

So, I think a lot of the social trends are changing, and we are being given an opportunity to have an impact on that with this legislation.

Then, the economy has built in higher structural unemployment over the last decade. You all know that better than I.

So, I think you can't blame it all on the welfare system; but I think at least two of those three unfavorable trends are turning; and I think if we make a change in the system that we will have a big impact on the people. That would be my observation.

Governor CASTLE. Just very briefly, I think that the need for education and jobs is important. I think there are fewer menial jobs—that is jobs for which you do not need to be educated. I think a lot of welfare mothers tend to drop out early and tend to be under-educated, and I think it is harder to go to work today if you are under-educated than it was 20 or 30 years ago.

Senator MOYNIHAN. And we see it in our numbers, don't we?

Governor CASTLE. Yes, I think that those are reflected in the numbers. And I think that perhaps the system is more ingrained; it has been around for a long time now, a lot of people have become very adapted and used to living under this system of welfare, and so it is a way of life that is passed on from brief generation to brief generation, and that may be a bit of a problem.

I think any welfare numbers that you cite are affected by the economy. When your economy is strong, people tend to go off of welfare. We have been very fortunate to have a strong economy in Delaware, and our welfare rolls have dropped I think 20 percent in whole numbers in recent years. People might say, "Gee, we are doing better at getting people off welfare." I would say, "Nonsense; it is just that our economy is stronger than it was." The first time we ever started doing anything about getting people off welfare was in our job-training program that started seven or eight months ago. But the economy affects it more than anything else, I think.

Senator MOYNIHAN. Could I make a point to the Chairman? I know he knows it, but just as a rhetorical statement, one of the things about this little window of opportunity we have on welfare is that those enormous problems that we have associated with the baby boom, which just crashed through one institution after another for 35–40 years, are now behind us. We are all looking forward to a period when there is the real threat of a labor shortage, and that is the time when you want to start trying to put people to work.

Thank you very much. Thank you, gentlemen.

The CHAIRMAN. I am delighted to hear a Governor who doesn't claim all the credit for getting those folks off welfare.

Senator Rockefeller?

Senator ROCKEFELLER. Thank you, Mr. Chairman. Just two comments at the beginning: One is during the eight years I served with the National Governors Association, I was always struck by the degree of bipartisan cooperation on all serious matters. I think this is an extraordinary example, again, of how Governors, who are in their States and on the firing line 24 hours a day, are also working together. Ideology and party become less important, because the problems are so overwhelming. I think that should be noted and lauded.

Second, you both made the point that this is not something which, in the great American tradition of looking for instant solutions, will work that way. It is highly incremental. You have both talked about life-long habits, life-long learning responsibilities. Governor Castle, you referred to the thrill of talking to an adult graduating class, getting their GED's, high school diplomas, or whatever. It is an extraordinary and emotional experience, but it is also the result of a long, hard process. And I think that is something that needs to be understood as we pursue welfare reform.

A dramatic initiative along the lines of the National Governors Association's proposal may very well be accepted by the Congress in large measure; it will not solve the problems in a year. We are talking about a long time and a lot of hard work—very much, Mr. Chairman, indeed, like what we're trying with trade. The trade problem is going to take a long time to straighten out, also; and I commend you for your leadership on that front as well.

One question I would address to both of you, because you have States with very different income levels. In my State, Governor Clinton, as in yours, we are not known for our wealth. An average AFDC mother with two children in West Virginia gets around $249 a month; that is about $3000 a year, which is not even close to the poverty level. Moreover, the purchasing power of AFDC benefits over the last 10 years has gone down by 35 percent; I believe, in both of our States we have not raised sufficient money to put into welfare—because we don't have it.

Second, we are highly favored by the current federal matching ratio—our states, West Virginia and Arkansas both receive an AFDC match of over 70 percent from the Federal government. We do quite well in terms of our help from the Federal Government.

In your proposals, from both of your perspectives, are you allowing for a flexible federal match—relating it to unemployment and poverty levels within the States? And in your proposal what amount of money will the States have to put into this? Because, whatever it is that the feds put up, the States are going to have to match part of it, at least 20 to 30 percent of it. And that gets tough for the West Virginias and the Arkansas; if not for the Delawares. I would be interested in both of your comments.

Governor CLINTON. Well, first of all, I appreciate, Senator Rockefeller, your kind comments. We miss you in the Governors Association. I don't know if you miss us, but we miss you. I appreciate your understanding. West Virginia and Arkansas have a lot in common; we are two of the five poorest States in the country. The other thing we have in common is, the most major contribution to our economic development in the last generation has been persuading some Rockefellers to move to our States. [Laughter.]

But my judgment would be that we do need to continue some differential in the Federal-State ratio based on the income and capacity of the States. Some of the States are simply much poorer than others, and frankly, some of the States which need most to put more money into programs like Medicaid and childcare are those which are least able to do it. If you just look at my region there, Texas, Arkansas, Louisiana, Oklahoma and Mississippi, it is now the most depressed region in the country, as a region, and we have some of the biggest problems in terms of teen pregnancy rates, and all the other things that you know about. So, I think there has to be a differential.

Second, I think there has to be, however, a continued expectation that the State will match its responsibility. We actually had a large number of legislators in our recently concluded session—against a background of 9 percent unemployment, and all the economic problems we have, and shrinking revenues because of the collapse of agriculture—who were prepared to raise more money not simply for education but also for these assistance programs for young children, increasing AFDC, trying to add, build it as the maternal and child health initiative for children from zero to five, and all of these things. So, I think there is a growing awareness among the States that we have our responsibility, too, and I don't think you should let us off the hook, because, as poor as we are, we need to continue to make some effort on our own to contribute with the Federal Government; it will make us more accountable and more responsible.

But I do think you should leave the differential.

In terms of the price tag, I think obviously there is a range. We had a price tag of somewhere around $900 million I think for the first full year of implementation. They are talking in the House now about $1.7 billion, I think, over about three years. I think anything within that range would certainly be acceptable to us, and I'm not sure you couldn't sell that to the White House. We have been working very hard to try to carry our share of the load on that. The Republicans have been especially helpful in that regard.

The **Chairman**. Thank you, gentlemen.

We still have three Cabinet Officers waiting, so if you will hold your questions to the minimum, if you will, please.

Senator Durenberger?

Senator **Durenberger**. Mr. Chairman, thank you very much. I will just ask one question and make one observation in order to fortify the Chairman's statement on his approach to the difficult issues before the committee. As we approach these issues, we are neither Republican nor Democrat, and that is a very comfortable feeling.

It isn't so much that these two Governors—one Republican and one Democrat—are reading from the same book; in reality they are writing the book. Both of these gentlemen, in particular, will be featured authors, as will others that they have referred to.

My question to both of you relates Governor Clinton's comments on investment and maintenance and the difference between them.

The question relates to health, in the broader sense. This partnership of ours in the government sector that relates to health works in several ways. It doesn't do much in terms of health on the investment side. We all have a school of public health somewhere, squirreled away in our universities, but we don't pay much attention to them. We are too busy smoking and driving cars without seat belts, and fattening ourselves up, and stuff like that. But there is a rising prominence to the concept of wellness. Yet, I don't see as much time being spent at the national level as at the State and local level on this issue. A related issue is the problem of mental health. Again, I see you people spending much more effort on the issue of mental health than we; and yet the costs of dealing with it are tremendous. Where do you see us in the area of mental health?

When we get to the maintenance of the system, the repair part of the system, it is too late. I take it you have recommendations about our role in Medicaid, even though I didn't hear anything about, for example, State risk pools for the medically uninsurable. Nor did I hear anything about what we ought to be doing about mandating employer-based health benefits.

There is a broader way to maintaining the health of Americans than just through the welfare system; but if we don't take those steps, folks will fall into the welfare system.

Let me stop and phrase that as a question to both of you.

Governor Castle. Well, Senator, you may have asked a short question, but it is not an easy question. I will try to give you a short answer, but probably not a very complete answer.

First of all, you are absolutely correct: The whole issue of wellness is a rising issue within the States. I am blessed with a very good Cabinet Secretary in this area who is very active and is developing programs for State employees as well as a more general program for the State with respect to wellness, in making us all more conscious of that.

But Delaware has lagged behind in terms of solutions to mental health problems, for example; considering our comparable wealth, I think we have lagged behind, and we are trying to make up for it, incrementally because of budget adjustments that we all have to deal with. But, nonetheless, we are starting to deal with that.

I have no criticism of the role of the Federal Government in any of this; other than sometimes the checks and balances, the error sanctions, and the other things that you impose set up quite a bureaucracy underlaid a little bit to health. But somebody was talking yesterday at a Southern Governors Association infant mortality press conference, which we had, about applications for welfare reform, referring to a 16-page application and the need for birth certificates, and all kinds of things, for people who can't even read or write. And you wonder why people are sometimes turned down for things.

So, clearly, you ought to pay attention to bureaucracy and red tape. I think I have more criticism and concern of that than I do of any of the funding systems which prestly exist. I think we can adjust to any of the funding systems.

But the broader question of how far do we go on health insurance and providing medical coverage is very, very difficult. I personally have some problems with mandated employer health insurance, simply because of the need to protect small employers and various people. On the other hand, yesterday, with the Southern Governors, we had a meeting with, which we now support, the coalition that is getting involved in this, because the corporations are now taking an interest in these areas. And we can encourage that, even if we don't mandate it.

I know that in Delaware we are taking some of the money which we have and are spending it to start medical centers, prenatal care centers and matters of this nature, to try to help resolve some of these problems.

I think we have to look at an extension of Medicaid; I don't think you should reach a certain level and lose 100 percent of Medicaid at that point. I think that is a problem and that the States and the Federal Government may have to share in that.

I know that is a terribly brief answer to a complicated question.

Senator CLINTON. I think this would be a good time to thank the Congress. You made it possible for us over the next couple of years—and Arkansas has already begun—to cover in the Maternal and Child Health Initiative children from zero to age five, even of lower income people who are not eligible for welfare in our respective States, and we are working on that.

We would like to confine what we are saying, I think, to the options we have laid out or other options within the confines of this program.

I think Congress in the next couple of years will have to face what you are going to do with people who don't have any health insurance who are on the work rolls, but my view is that that is something that should be addressed separately.

The CHAIRMAN. Thank you, Governor.

Senator Daschle?

Senator DASCHLE. Thank you, Mr. Chairman.

I would ask the Governors just one question as well, and that relates to the funding ratios between the Federal Government and the States for employment and training.

Your plan requests that the first year be authorized at an 85-percent funding level by the Federal Government and 75 percent after that. The House, after considering all of that, reduced that to 60 percent. How do you view that? Can you live with it? What would it mean? Is something expendable in that 85-percent request? If so, what would that be?

Governor CASTLE. I think certain States can live with this. As a matter of fact, I have recommended in my budget this year—because WIN funds, for instance, were perhaps not going to be there—100 percent funding of these programs. Delaware can afford to do that; other States cannot.

You are absolutely right—your figures are correct—after the first year we based it on the 75–25 average. I think that the House adjustment was mostly to save money as far as the Federal Government is concerned, to make the bill more acceptable, rather than any kind of a mutual conclusion that it would work better on those statistics. I am sure that in some of the poorer States that becomes one heck of a problem.

Now, if you believe the theory that any money invested in this comes back in terms of savings on welfare probably within the first year, then you would say, "Fine; we can fund anything in that circumstance." But I would suggest that if your unemployment is high and if your economy is not sound, that probably won't work quite as magically as it sounds.

So I think, when you get into the poorer States, you are going to have a problem, unless we sit down and really understand how that funding is going to be used.

Senator CLINTON. Let me just give you what I would consider just practical guidance about the experience of the States. I personally have no problem with the 60-40 in terms of thinking that I would go back and do everything I could to get our 40 percent, because I think the program is important enough that we should do it. But there is a practical problem today—it has always been there, but it is more exaggerated today than at any time in my experience as a Governor—and that is that the revenue capacities of States vary more dramatically today than previously. Your State is a good example, my State is a good example, and Senator Rockefeller's State is a good example.

But if you look at the States from the Gulf of Mexico to the Canadian border that are in the middle of the country, they are actually experiencing deflation in their economic base. They are all running on balanced budgets—they have to, by constitution—and half of my counties for two years in a row now have returned less State taxes to the State than in the previous year. We have had just basically flat revenues for two years. Medicaid utilization was up 27 percent in the first quarter of this year over the first quarter of last year, because of the number of people being pressed downward economically.

So, the problem is, if you get that match for the States too high, you are dealing with States like North Dakota, your neighbor, where the Governor and the legislature just raised the sales tax and the income tax and cut spending across the board. So, there is no budget spending option, and there are dramatic differences in the revenue pictures among the States. For that reason, I would urge you to be careful about making the match too high, because when you compound that with the revenue problems and the dimensions of the social problems in States like Louisiana, Mississippi, Arkansas and Texas, you really have got a double shot there, and I don't think we want to undermine the program by making the match too high.

Governor CASTLE. Just one very quick statistic: Twenty-three States during the course of this fiscal year have had to cut their budgets, in spite of the tax reform windfall. A number of the same States have had to raise taxes. So, some of the States are really struggling financially.

Senator DASCHLE. The second part of my question, in what limited time there is, was, what program do you believe is most expendable? Is there any unanimity or consensus among the States on what would be sacrificed first if threre was a lack of Federal commitment, if the States were forced to a 40-percent contribution at this point? What would they look to first as the area within which they would cut?

Governor CLINTON. Do you mean within the welfare reform proposal or another of our options?

Senator DASCHLE. Within the welfare proposal, especially in employment and training.

Governor CLINTON. I don't know how to answer that.

Governor CASTLE. I think it would just be a general cut. I think you would have fewer caseworkers, you would have broader programs, more people in classes, less psychological help, basic training help. I think it would just be cut in a general concept to meet the funding.

Governor CLINTON. What I would do would be to make the caseworkers carry a heavier load, because I basically believe most of these people are dying to go to work if they are given the tools to do it, and if they don't have to hurt their kids by doing it, if they have adequate childcare and Medicaid.

Senator DASCHLE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. It is obvious that we have a deep interest in what you have to say. I wish we had more time. Thank you for your contribution; we appreciate it.

Governor CLINTON. Thank you.

Governor CASTLE. Thank you, Mr. Chairman.

The CHAIRMAN. Would you invite the Cabinet Officers in, please? [Pause.]

The CHAIRMAN. Well, we have very distinguished members of the Cabinet here to testify on the Administration's position regarding this important issue. We have just completed the testimony and a series of questions of two distinguished Governors, representing the National Governors' Association. They spoke of their interest in welfare reform, and it has been a very productive session.

We are delighted to have you. Tell me, which of you would like to lead off? We have Secretary Lyng of the Department of Agriculture, Dr. Bowen, the Secretary of the Department of Health and Human Resources, and the Honorable Samuel Pierce, Jr., the Secretary of the Department of Housing and Urban Development.

Secretary Lyng, if you would, proceed.

STATEMENT BY HON. RICHARD E. LYNG, SECRETARY, DEPARTMENT OF AGRICULTURE

Secretary LYNG. Thank you, Mr. Chairman. If it is agreeable with you and the members of the Committee, I will submit a statement for the record.

The CHAIRMAN. We will print each of your statements in the entirety.

Secretary LYNG. I will just summarize it, if I might.

The CHAIRMAN. Fine. We have a lot of people who want to hear what you have to say. If you will move that mike up and speak in a strong voice, it will be good for some of us who don't hear that well.

Secretary LYNG. Mr. Chairman and members of the Committee, I am pleased to be here today to participate in this panel with Secretary Pierce and Secretary Bowen to discuss the importance of welfare reform. We look forward to working with you on this important effort.

Just only a year ago in his State of the Union Address, President Reagan called for an evaluation of our nation's welfare system. In response, he received a report entitled "Up from Dependency."

Those familiar with public assistance have not been surprised by its conclusions. The welfare system is large; over $132 billion in Federal and State monies were spent in 1985 to provide at least some benefits to more than 52 million Americans. The system is incredibly complex. There are over 50 major Federal welfare programs under the direction of eight Federal Departments and administered through numerous agencies in the States and Territories.

Clearly, this system needs to be overhauled. While there is consensus on the direction of reform, there are many issues for which there is no agreement.

Furthermore, when it comes to restructuring our welfare system, we must admit that current research does not tell us what will work and what will not on a system-wide basis.

President Reagan has transmitted to Congress a proposed invitation to each of the States to restructure and improve our nation's welfare system. It has been introduced as The Low Income Opportunity Improvement Act of 1987, S. 610.

Under this proposal, States would file for a waiver authority to establish demonstration projects that test promising areas for a realignment of today's patchwork of programs. Each demonstration would receive the same Federal and required State funding as the programs it supersedes. The States filing would make it clear exactly what the State intends to do. Along with other specifics of the scope of the demonstration, the filing must describe the evaluation efforts the State plans to undertake. Of course, at the end of each demonstration we would intend to have acceptable evidence as to whether or not the demonstration succeeded in its objectives. In this way, the entire welfare system, rather than just a few programs, can be examined and improved.

Mr. Chairman, the States need a single place in the Federal Government to bring their reform ideas. So, we propose an Interagency Low-Income Opportunity Board that would certify appropriate State filings or receive the demonstration projects and regularly report to Congress. Of course, the Board would take care that the rights of low-income people are protected and that the needs of low-income people are met. The Board would be composed of its chairman, who would be appointed by the President and the representatives of the departments with responsibility for the federal programs that are affected.

This proposal does not prevent us from improving present welfare programs. Secretary Bowen will describe some of our ideas along these lines. However, incremental improvements should not distract us from exploring a fundamental realignment of our welfare system.

Mr. Chairman, these demonstrations would result in more low-income families achieving self-sufficiency. They would show us how to target the taxpayers' dollars better to those in need, to encourage employment, and to increase individual choice.

We appreciate the Committee's interest in our proposal and look forward to answering your questions.

Thank you, Mr. Chairman.

The **Chairman**. Thank you very much, Mr. Secretary.

Secretary Pierce?

[The prepared statement of Secretary Lyng follows:]

STATEMENT OF
RICHARD E. LYNG
SECRETARY
DEPARTMENT OF AGRICULTURE

BEFORE THE COMMITTEE ON FINANCE
UNITED STATES SENATE

April 9, 1987

Mr. Chairman, and members of the Committee, I am pleased to be here today to participate in this panel with Secretary Bowen and Secretary Pierce to discuss the importance of welfare reform. We look forward to working with you on this important effort.

In his State of the Union address in 1986, the President called for an evaluation of the public welfare system and a new strategy to promote "real and lasting emancipation" from welfare. In response to the President's charge, the White House Domestic Policy Council's Low-Income Opportunity Working Group made an extensive study of welfare and poverty. This report, Up from Dependency, is based on careful analysis as well as discussions with Americans from all walks of life, including current and former welfare recipients, those who deliver public assistance, the nation's governors, government officials, scholars, and many others. The report assesses the welfare system and its successes and failures, describes the frustrations felt by America's poor, and proposes a basic change in public assistance policy. It has now been introduced as the Low-Income Opportunity Improvement Act of 1987, S.610.

America's public assistance system is composed of more than 50 major federal welfare programs on which federal and state governments spent more than $132 billion in Fiscal Year 1985. These programs comprise a welfare system that requires over 6,000 pages of federal law and regulation and is overseen by a score of Congressional committees. It is managed by eight major federal departments, numerous agencies in the 50 states and territories, and hundreds of thousands of welfare workers. The Census Bureau estimates that more than 52 million Americans benefit from some welfare program during the course of a year.

For a policy-maker, the welfare system is expensive and wasteful. It is so complex that one has difficulty keeping sight of the services and goals of each of its programs. For a recipient, particularly a poorly educated one, it can only be worse. We can no longer afford to view welfare as one or two programs. We must try to see it from the recipient's eyes. For poor families seeking assistance, the multitude of programs, with their excessively complex regulations and vast diversity, leads to confusion and demoralization. Moreover, the many interrelationships between programs make it impossible to isolate the impact of any one program in terms of its effects on a variety of important issues -- poverty, work effort, the family, or the community. Thus, the first recommendation in Up From Dependency is: "The welfare system is a system, and we must treat it as such."

While the Working Group documented in their report the areas where agreement exists concerning what's wrong with the welfare system, it found much less agreement on what to do about welfare. Of course, we know of the need for some incremental reforms, such as those recommended by the Administration which Secretary Bowen will discuss. While important, incremental reforms will not set in order the broad array of welfare programs. Unfortunately, we lack the research and experience to know the effects of significant reform. That is the reason for the second recommendation in Up From Dependency: "We should neither propose nor support more 'national' welfare reforms unless locally-tested, with evidence of reduced dependency."

As we examine the potential for reform, we must be as cautious in designing changes as we are firm in our commitment to make them. Tens of millions of people depend on welfare. Our changes must be real improvements, not gambles. Before changing the welfare system as a whole from the top down, we should strive to find what works from the bottom up.

The final three recommendations of the Low-Income Working Group are:

> Adopt reform goals which comprehensively define federal requirements for reform, allow maximum flexibility for state- and community-based reform efforts, and retain the current federal-state financing commitments;
>
> Initiate a program of widespread, long-term experimentation in the restructuring of public assistance through community-based and state-sponsored demonstration projects; and
>
> Propose legislation to implement the experimental program and assure that its useful results are gradually incorporated in the national public assistance system.

There are several reasons for conducting many different demonstrations simultaneously. It is not obvious that what works in one community or state would be as effective some place else. The proposed demonstrations would free states to tailor assistance to the specific needs of these groups and the localities in which they live, while at the same time meeting broad, national goals for welfare. Operating several demonstrations allows many new, innovative ideas to compete in a positive manner to discover how best to promote self-sufficiency and economic independence.

We are encouraged that the welfare system might be made more receptive to community self-help efforts. Local initiatives in many low-income communities across this nation are overcoming problems that proved too difficult for government bureaucracies. The bulk of these efforts illustrate positive responses to the frustrations felt by local people when the current system fails to meet their unique needs.

That is why the President's legislation provides broad waiver authority to make possible state-sponsored, community-based demonstrations of alternative welfare assistance programs. Our proposal allows states to incorporate into a demonstration the funding they otherwise would receive from any program that currently is intended to reduce poverty. There are clear rules for these demonstrations. The state's filing for demonstration waiver must make clear exactly what the state intends to do; specifically, which programs will be included, who will participate, principles for eligibility and benefit determination, the form and amount of benefits, and innovative ways in which the demonstration is expected to both meet the need of the low-income population and reduce dependency. Along with other specifics on the scope of the demonstration, the filing must describe the evaluation efforts the state plans to undertake so that at the end of the demonstration we will have generally acceptable evidence as to whether the demonstration succeeded in its objectives or not.

One thing we have heard over and over again in discussions with the Governors is that they need a single place to which they can come to get federal approval for their welfare reform ideas. To accommodate these wishes, we propose that the state filings be submitted to an Interagency Low-Income Opportunity Board. The Board will be made up of representatives of the Departments with responsibility for the major public assistance programs. The Board's Chairman will be appointed by the President. The Interagency Low-Income Opportunity Board is intended to speak with one voice to the states while still reflecting the various voices of the executive agencies responsible for public assistance programs. If the Board's Chairman determines that a filing meets the programmatic and budgetary requirements in the bill, that the civil rights of individuals and families, under all applicable laws, will be protected and that the proposed demonstration is structured to permit a sound evalution of its results, the filing will be certified.

The agencies with responsibility for the programs included in the demonstration will make estimates of the amount of funds the demonstration site would have received during its first year under the laws then in effect. That will be the amount payable to the state for expenditures under the demonstration. Since many of these demonstrations will not be statewide, the federal agencies will have to review and use information supplied by the states to determine just what the funding for the included programs would have been in the communities included in the demonstrations. Each year's funding for the demonstration will be calculated based upon the laws in effect for the included programs. What this means is that if the allocations or funding levels for national programs change, the demonstrations will be affected in the same manner. We think this method of funding will show the continued support of the Administration for the demonstrations.

We think our commitment to the demonstrations is evident as well in the provision that permits states to keep any funds they save by making gains in reducing dependency. The bill requires a state to put these savings to a use which primarily benefits the low-income people of the demonstration area.

The Governor in the state undertaking a demonstration must submit a final report to the Board assessing the demonstration's achievement and shortcomings, including recommendations regarding the demonstration's national significance. The Board's chairman must submit an annual report to Congress regarding the progress of the demonstrations.

In summary, we think the Low-Income Opportunity Act of 1987 provides a reasonable course for reform of the system of welfare. Waiver authority will be broad enough to allow a community to improve the way the system works, not just this program or that program. Care will be taken that the rights of low-income people are protected and that needs of low-income people are met. We will learn considerably more about what works to reduce dependency because we will have sound evaluations of demonstrations drawing from the experience and innovations of communities and states.

Most important, state and community efforts to better target welfare resources, eliminate or reduce work disincentives, increase individual choice, and strengthen families will result in new and bold opportunities for low-income individuals and families to increase their social and economic self-sufficiency.

We believe that the President's proposal offers an exciting opportunity to improve the effectiveness of this nation's welfare system. We look forward to working with you on the passage of welfare reform legislation this year that would provide broad demonstration authority for states to reform the welfare system as a whole.

STATEMENT OF HON. SAMUEL R. PIERCE, JR., SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Secretary PIERCE. Mr. Chairman and members of the Senate Finance Committee, I am pleased to appear before you this morning. The Administration's Low-Income Opportunity Improvement Act of 1987 offers us a chance to bring positive and lasting change to a seriously flawed system.

While there is general agreement on the need for welfare reform, differences remain on the ways and means to achieve it. This bill can help us resolve that issue. It is designed to identify, develop, and test alternatives to the existing system. It does so in a pragmatic way, with minimal restrictions as to structure and approach.

This bill will enable States and local communities to create their own ideas and programs to combat poverty and welfare dependency. Further, it will provide a means whereby, after careful evaluation, successful efforts can become part of our national solution to the problems of the poor.

In recent years we have seen the enormous capacity of State and local governments for creative planning and problem-solving. Local leaders represent a tremendous reservoir of energy and intellect which is ready, willing, and able to meet local needs through more effective use of resources at hand. The Low-Income Opportunity Improvement Act offers the flexibility and support which will encourage State and local governments to tap that reservoir. It will help them determine for themselves how best to meet local needs based upon local realities and resources, with Federal support but without unnecessary Federally-imposed restrictions and mandates.

This concept is consistent with the approach President Reagan has emphasized throughout his Administration. I can tell you from personal experience as Secretary of HUD that it is a concept, and approach, that works.

In 1982, my Department offered States the option of administering the Community Development Block Grant program for small cities. By 1986, 47 States and Puerto Rico had accepted that offer and were administering the program effectively.

Under this program, States must certify that funded activities will meet one of the program's three national objectives: benefitting people with low and moderate incomes, preventing or eliminating slums or blight, or addressing urgent community development needs. Of all Fiscal Year 1986 funds awarded through June 30 of last year, including all States in the program, 97 percent of those funds were targeted to benefit people with low and moderate incomes.

The State-administered CDBG Small Cities Program is working effectively for those who most need its assistance. I believe it suggests the profound and positive influence State and local governments can have on welfare reform.

In a like manner, we at HUD believe housing assistance can play an important role in welfare reform. Housing assistance can provide security and financial stability to a family during that critical transition period while a parent is involved in education, training, and work experience.

Our approach to housing assistance is to help needy families through rental vouchers which enhance access to private market housing. The voucher essentially makes up the difference between 30 percent of a family's income and the average cost of modest yet sound housing in their community. Recipients can use their voucher to shop for housing of their choice, rather than being relegated to units sometimes stigmatized as "welfare warehousing."

Vouchers offer their users dignity and choice, and we can house two to three times as many families—faster—with vouchers at the same cost of housing one family under costly time-consuming construction programs.

Flexibility and efficiency characterize our approach to assistance. They are evident in several of our programs, many of which could well be components of the demonstrations to be implemented by States and communities under the Administration's bill.

Project Self-Sufficiency is one such program. PS–S, as it is called, is a demonstration now underway in 155 communities across the country. We created PS–S to combat a serious problem: A growing proportion of families are headed by single women, and these families are three times as likely to be poor as two-parent families.

Project Self-Sufficiency is a partnership among local government, the private sector, and existing social services. Designed to move very low-income single parents toward full employment and economic independence, PS–S is based on the idea that better coordination will help existing resources go much further. We use Section 8 Existing Housing Certificates, a predecessor of the voucher, to leverage public and private resources and services. Of most relevance to this hearing, PS–S stresses the importance of local flexibility in design and implementation. The local community designs a range of services for the recipients, which may include daycare, housing, transportation, counseling, and job training and placement, enabling them to learn the skills necessary for jobs with career-growth potential.

Because a stable living environment plays such an integral role in helping people achieve self-sufficiency, HUD has provided 10,000 Section 8 certificates to participating communities. This housing assistance offers a foundation on which to build the transition from welfare toward self-sufficiency, allowing families to take actions to make themselves employable without having to worry about getting or paying for housing.

This demonstration is working at the local level. For example, my fellow panelist Secretary Bowen can appreciate the impact of Project Self-Sufficiency in Indiana. The success of demonstration projects in Bloomington and Evansville prompted Indiana State officials to reward such self-reliance efforts. They announced that first priority for awarding their Section 8 housing certificates would be given to those communities where the mayor and civic leaders would make a similar commitment to help recipients to become economically self-sufficient. More than 20 Hoosier communities responded to that offer.

Just as Project Self-Sufficiency confirms our assumption that local leadership can teach us how best to meet local needs, others are showing us that tenant management can improve the quality of life in public housing. All across the country, tenant groups are operating and maintaining their housing projects to the benefit of the residents and the surrounding community.

In Jersey City, for instance, tenant management brought about increased occupancy, while reducing requests for repairs from a range of 150 to 300 per month down to 20 to 40 per month. Crime at the tenant-managed project was reduced from three times the city-wide average to below the city-wide average.

We want to encourage such initiative, such progress. To do so, we have established a technical assistance program which will help tenants participate in the operation of public housing—help them achieve their goals for improved housing conditions and provide opportunities for economic development.

We are going beyond that, as well, with a demonstration program designed to encourage ownership of public housing units by tenants themselves. Currently, 17 cities are authorized to sell about 1300 units. To date, seven cities have sold 94 units, and another 72 units should be sold within the next two to three months.

By helping lower income families share in the dream of owning their own homes, we help build a sense of responsibility. We also create a homeowner stake in the community that should lead to neighborhood stability and ultimate improvement.

I offer these examples so you will understand the positive experience we have had working with self-help groups and State and local governments. Our experience demonstrates the advantages inherent in the Low Income Opportunity Improvement Act of 1987. This Administration bill offers interagency program flexibility which will enable local groups to use their innovative ideas for better service. For example:

They might want to combine housing assistance with existing social and health services, further supported by private sector funds—similar to our partnership with the Robert Wood Johnson Foundation in a national demonstration to assist the chronically mentally ill; or, they might want to bring existing social services to public housing projects, making those services more accessible to the tenants.

Mr. Chairman, the premise of this bill is sound. It allows flexibility, so that design and planning can be determined at the State and local level. It sets broad goals, without imposing Federal requirements and mandates that often stifle creativity. It encourages movement out of dependency to self-reliance. It will foster self-help and public/private partnerships, the kind that are bringing local improvements all across the country, and it will do this through a policy of inclusion.

In spite of the best intentions, our existing welfare system still has become misdirected. It has an aura of paternalism, "giving to" and "doing for" people who need help. We should be working with them. We will find that most of them are ready, willing and able to pull their share of the load.

Dreams, ambition, drive—these are not exclusive to the world of business and government or the well-to-do. Today, people who never before had the chance are making their own way in the world. For many of them, all it took was some temporary help—an opportunity to learn, improve, and grow.

This bill can build on their experience, can offer others new opportunities for self-determination. It won't solve all of our problems with the welfare system, but it can help. And most important, it would get the very people who need assistance directly involved in finding workable solutions.

Mr. Chairman, that concludes my statement.

The CHAIRMAN. Thank you very much, Secretary Pierce.

Dr. Bowen, we are delighted to have you back.

[Secretary Pierce's prepared statement follows:]

STATEMENT OF
SECRETARY SAMUEL R. PIERCE, JR.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BEFORE THE
SENATE FINANCE COMMITTEE

APRIL 9, 1987

MR. CHAIRMAN AND MEMBERS OF THE SENATE FINANCE COMMITTEE, I'M PLEASED TO APPEAR BEFORE YOU THIS MORNING. THE ADMINISTRATION'S LOW-INCOME OPPORTUNITY IMPROVEMENT ACT OF 1987 OFFERS US A CHANCE TO BRING POSITIVE AND LASTING CHANGE TO A SERIOUSLY FLAWED SYSTEM.

WHILE THERE IS GENERAL AGREEMENT ON THE NEED FOR WELFARE REFORM, DIFFERENCES REMAIN ON THE WAYS AND MEANS TO ACHIEVE IT. THIS BILL CAN HELP US RESOLVE THAT ISSUE. IT IS DESIGNED TO IDENTIFY, DEVELOP AND TEST ALTERNATIVES TO THE EXISTING SYSTEM. IT DOES SO IN A PRAGMATIC WAY, WITH MINIMAL RESTRICTIONS AS TO STRUCTURE AND APPROACH.

THIS BILL WILL ENABLE STATES AND LOCAL COMMUNITIES TO CREATE THEIR OWN IDEAS AND PROGRAMS TO COMBAT POVERTY AND WELFARE DEPENDENCY. FURTHER, IT WILL PROVIDE A MEANS WHEREBY...AFTER CAREFUL EVALUATION...SUCCESSFUL EFFORTS CAN BECOME PART OF OUR NATIONAL SOLUTION TO THE PROBLEMS OF THE POOR.

IN RECENT YEARS, WE'VE SEEN THE ENORMOUS CAPACITY OF STATE AND LOCAL GOVERNMENTS FOR CREATIVE PLANNING AND PROBLEM-SOLVING. LOCAL LEADERS REPRESENT A TREMENDOUS RESERVOIR OF ENERGY AND INTELLECT WHICH IS READY, WILLING AND ABLE TO MEET LOCAL NEEDS THROUGH MORE EFFECTIVE USE OF THE RESOURCES AT HAND. THE LOW-INCOME OPPORTUNITY IMPROVEMENT ACT OFFERS THE

FLEXIBILITY AND SUPPORT WHICH WILL ENCOURAGE STATE AND LOCAL GOVERNMENTS TO TAP THAT RESERVOIR. IT WILL HELP THEM DETERMINE FOR THEMSELVES HOW BEST TO MEET LOCAL NEEDS BASED UPON LOCAL REALITIES AND RESOURCES, WITH FEDERAL SUPPORT, BUT WITHOUT UNNECESSARY FEDERALLY-IMPOSED RESTRICTIONS AND MANDATES.

THIS CONCEPT IS CONSISTENT WITH THE APPROACH PRESIDENT REAGAN HAS EMPHASIZED THROUGHOUT HIS ADMINISTRATION. I CAN TELL YOU FROM PERSONAL EXPERIENCE AS SECRETARY OF HUD, THAT IT IS A CONCEPT...AND APPROACH...THAT WORKS.

IN 1982, MY DEPARTMENT OFFERED STATES THE OPTION OF ADMINISTERING THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM FOR SMALL CITIES. BY 1986, 47 STATES AND PUERTO RICO HAD ACCEPTED THAT OFFER AND WERE ADMINISTERING THE PROGRAM EFFECTIVELY.

UNDER THIS PROGRAM, STATES MUST CERTIFY THAT FUNDED ACTIVITIES WILL MEET ONE OF THE PROGRAM'S THREE NATIONAL OBJECTIVES: BENEFITTING PEOPLE WITH LOW AND MODERATE INCOMES; PREVENTING OR ELIMINATING SLUMS OR BLIGHT; OR ADDRESSING URGENT COMMUNITY DEVELOPMENT NEEDS. OF ALL FISCAL YEAR 1986 FUNDS AWARDED THROUGH JUNE 30TH OF LAST YEAR...INCLUDING ALL STATES IN THE PROGRAM...97 PERCENT OF THOSE FUNDS WERE TARGETED TO BENEFIT PEOPLE WITH LOW AND MODERATE INCOMES.

THE STATE-ADMINISTERED CDBG SMALL CITIES PROGRAM IS WORKING EFFECTIVELY FOR THOSE WHO MOST NEED ITS ASSISTANCE. I BELIEVE IT SUGGESTS THE PROFOUND AND POSITIVE INFLUENCE STATE AND LOCAL GOVERNMENTS CAN HAVE ON WELFARE REFORM.

IN LIKE MANNER, WE AT HUD BELIEVE HOUSING ASSISTANCE CAN PLAY AN IMPORTANT ROLE IN WELFARE REFORM. HOUSING ASSISTANCE CAN PROVIDE SECURITY AND FINANCIAL STABILITY TO A FAMILY DURING THAT CRITICAL TRANSITION PERIOD WHILE A PARENT IS INVOLVED IN EDUCATION, TRAINING, AND WORK EXPERIENCE.

OUR APPROACH TO HOUSING ASSISTANCE IS TO HELP NEEDY FAMILIES THROUGH RENTAL VOUCHERS WHICH ENHANCE ACCESS TO PRIVATE MARKET HOUSING. THE VOUCHER ESSENTIALLY MAKES UP THE DIFFERENCE BETWEEN 30 PERCENT OF A FAMILY'S INCOME AND THE AVERAGE COST OF MODEST, YET SOUND, HOUSING IN THEIR COMMUNITY. RECIPIENTS CAN USE THEIR VOUCHER TO "SHOP" FOR HOUSING OF THEIR CHOICE, RATHER THAN BEING RELEGATED TO UNITS SOMETIMES STIGMATIZED AS "WELFARE WAREHOUSING."

VOUCHERS OFFER THEIR USERS DIGNITY AND CHOICE. AND, WE CAN HOUSE TWO TO THREE TIMES AS MANY FAMILIES - FASTER - WITH VOUCHERS AT THE SAME COST OF HOUSING ONE FAMILY UNDER COSTLY, TIME-CONSUMING CONSTRUCTION PROGRAMS.

Flexibility and efficiency characterize our approach to assistance. They are evident in several of our programs, many of which could well be components of the demonstrations to be implemented by States and communities under the Administration's bill.

Project Self-Sufficiency is one such program. PS-S, as it is called, is a demonstration now under way in 155 communities across the country. We created PS-S to combat a serious problem: a growing proportion of families are headed by single women, and these families are three times as likely to be poor as two-parent families.

Project Self-Sufficiency is a partnership among local government, the private sector, and existing social services. Designed to move very low-income single parents toward full employment and economic independence, PS-S is based on the idea that better coordination will help existing resources go much further. We use Section 8 Existing Housing certificates...a predecessor of the voucher...to leverage public and private resources and services. Of most relevance to this hearing, PS-S stresses the importance of local flexibility in design and implementation.

The local community designs a range of services for the recipients which may include day care, housing, transportation, counseling, and job training and placement...enabling them to learn the skills necessary for jobs with career growth potential.

BECAUSE A STABLE LIVING ENVIRONMENT PLAYS SUCH AN INTEGRAL ROLE IN HELPING PEOPLE ACHIEVE SELF-SUFFICIENCY, HUD HAS PROVIDED 10,000 SECTION 8 CERTIFICATES TO PARTICIPATING COMMUNITIES. THIS HOUSING ASSISTANCE OFFERS A FOUNDATION ON WHICH TO BUILD THE TRANSITION FROM WELFARE TOWARD SELF-SUFFICIENCY, ALLOWING FAMILIES TO TAKE ACTIONS TO MAKE THEMSELVES EMPLOYABLE WITHOUT HAVING TO WORRY ABOUT GETTING OR PAYING FOR HOUSING.

THIS DEMONSTRATION IS WORKING AT THE LOCAL LEVEL. FOR EXAMPLE, MY FELLOW PANELIST, SECRETARY BOWEN, CAN APPRECIATE THE IMPACT OF PROJECT SELF-SUFFICIENCY IN INDIANA. THE SUCCESS OF DEMONSTRATION PROJECTS IN BLOOMINGTON AND EVANSVILLE PROMPTED INDIANA STATE OFFICIALS TO REWARD SUCH SELF-RELIANCE EFFORTS. THEY ANNOUNCED THAT FIRST PRIORITY FOR AWARDING THEIR SECTION 8 HOUSING CERTIFICATES WOULD BE GIVEN TO THOSE COMMUNITIES WHERE THE MAYOR AND CIVIC LEADERS WOULD MAKE A SIMILAR COMMITMENT TO HELP RECIPIENTS BECOME ECONOMICALLY SELF-SUFFICIENT. MORE THAN 20 "HOOSIER" COMMUNITIES RESPONDED TO THAT OFFER.

JUST AS PROJECT SELF-SUFFICIENCY CONFIRMS OUR ASSUMPTION THAT LOCAL LEADERSHIP CAN TEACH US HOW BEST TO MEET LOCAL NEEDS, OTHERS ARE SHOWING US THAT TENANT MANAGEMENT CAN IMPROVE THE QUALITY OF LIFE IN PUBLIC HOUSING. ALL ACROSS THE COUNTRY, TENANT GROUPS ARE OPERATING AND MAINTAINING THEIR HOUSING PROJECTS TO THE BENEFIT OF THE RESIDENTS...AND THE SURROUNDING COMMUNITY.

In Jersey City, for instance, tenant management brought about increased occupancy while reducing requests for repairs from a range of 150 to 300 per month down to 20 to 40 per month. Crime at the tenant-managed project was reduced from three times the city-wide average to below the city-wide average.

We want to encourage such initiative...such progress. To do so, we've established a technical assistance program which will help tenants participate in the operation of public housing...help them achieve their goals for improved housing conditions...and provide opportunities for economic development.

We're going beyond that, as well, with a demonstration program designed to encourage ownership of public housing units by tenants themselves. Currently, seventeen cities are authorized to sell about 1,300 units. To date, seven cities have sold 94 units, and another 72 units should be sold within the next two to three months.

By helping lower income families share in the dream of owning their own homes, we help build a sense of responsibility. We also create a homeowner stake in the community that should lead to neighborhood stability and ultimate improvement.

I OFFER THESE EXAMPLES SO YOU'LL UNDERSTAND THE POSITIVE EXPERIENCE WE'VE HAD WORKING WITH SELF-HELP GROUPS AND STATE AND LOCAL GOVERNMENTS. OUR EXPERIENCE DEMONSTRATES THE ADVANTAGES INHERENT IN THE LOW INCOME OPPORTUNITY IMPROVEMENT ACT OF 1987. THIS ADMINISTRATION BILL OFFERS INTERAGENCY PROGRAM FLEXIBILITY WHICH WILL ENABLE LOCAL GROUPS TO USE THEIR INNOVATIVE IDEAS FOR BETTER SERVICE. FOR EXAMPLE:

- THEY MIGHT WANT TO COMBINE HOUSING ASSISTANCE WITH EXISTING SOCIAL AND HEALTH SERVICES, FURTHER SUPPORTED BY PRIVATE SECTOR FUNDS...SIMILAR TO OUR PARTNERSHIP WITH THE ROBERT WOOD JOHNSON FOUNDATION IN A NATIONAL DEMONSTRATION TO ASSIST THE CHRONICALLY MENTALLY ILL.

- OR, THEY MIGHT WANT TO BRING EXISTING SOCIAL SERVICES TO PUBLIC HOUSING PROJECTS, MAKING THOSE SERVICES MORE ACCESSIBLE TO THE TENANTS.

MR. CHAIRMAN, THE PREMISE OF THIS BILL IS SOUND. IT ALLOWS FLEXIBILITY SO THAT DESIGN AND PLANNING CAN BE DETERMINED AT THE STATE AND LOCAL LEVEL. IT SETS BROAD GOALS WITHOUT IMPOSING FEDERAL REQUIREMENTS AND MANDATES THAT OFTEN STIFLE CREATIVITY. IT ENCOURAGES MOVEMENT OUT OF DEPENDENCY TO SELF-RELIANCE.

IT WILL FOSTER SELF-HELP AND PUBLIC/PRIVATE PARTNERSHIPS...THE KIND THAT ARE BRINGING LOCAL IMPROVEMENTS ALL ACROSS THE COUNTRY. AND, IT WILL DO THIS THROUGH A POLICY OF INCLUSION.

IN SPITE OF THE BEST INTENTIONS, OUR EXISTING WELFARE SYSTEM HAS BECOME MISDIRECTED. IT HAS AN AURA OF PATERNALISM..."GIVING TO" AND "DOING FOR" PEOPLE WHO NEED HELP. WE SHOULD BE "WORKING WITH" THEM. WE'LL FIND THAT MOST OF THEM ARE READY, WILLING AND ABLE TO PULL THEIR SHARE OF THE LOAD.

DREAMS...AMBITION...DRIVE...THESE ARE NOT EXCLUSIVE TO THE WORLD OF BUSINESS AND GOVERNMENT, OR THE WELL-TO-DO. TODAY, PEOPLE WHO NEVER BEFORE HAD THE CHANCE, ARE MAKING THEIR OWN WAY IN THE WORLD. FOR MANY OF THEM, ALL IT TOOK WAS SOME TEMPORARY HELP...AN OPPORTUNITY TO LEARN, IMPROVE, GROW.

THIS BILL CAN BUILD ON THEIR EXPERIENCE...CAN OFFER OTHERS NEW OPPORTUNITIES FOR SELF-DETERMINATION. IT WON'T SOLVE ALL OUR PROBLEMS WITH THE WELFARE SYSTEM, BUT IT CAN HELP. AND, MOST IMPORTANT, IT WOULD GET THE VERY PEOPLE WHO NEED ASSISTANCE DIRECTLY INVOLVED IN FINDING WORKABLE SOLUTIONS.

MR. CHAIRMAN, THIS CONCLUDES MY STATEMENT.

STATEMENT OF HON. OTIS R. BOWEN, M.D., SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES, ACCOMPANIED BY ROBERT HELMS, PH.D., ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, HHS

Secretary Bowen. Thank you very much, Mr. Chairman and members of the Committee. I am pleased to be before your Committee this morning to join Secretary Lyng and Secretary Pierce to discuss the President's major welfare reform initiative.

Let me also introduce, on my right, Dr. Robert Helms, the Assistant Secretary for Planning and Evaluation at HHS.

Secretary Lyng has addressed the conclusions reached by the Low-Income Opportunity Working Group in the course of its extensive study of welfare and poverty. Secretary Pierce highlighted several exciting examples of local initiatives which have overcome problems that defy solution by government bureaucracies.

I would like to address how we feel we can best work with Congress to strengthen American families. America's welfare system has done little to encourage strong families, yet we all know that strong families are the foundations of our society. Through them, we pass on our traditions, rituals, and values; and from them, we receive the strength to meet human challenges. We know that for children, the key determinant of whether they live in poverty or not is whether they live in an intact family; yet, the welfare system provides little incentive for mothers and fathers to form and maintain self-reliant families.

We can all agree that the goal of any genuine welfare reform must be to promote a process through which individuals and families in need gain the means to be economically self-reliant. Government policy should deal with individuals and families in ways that allow differences in capacity and potential to be considered. Families seeking to escape dependency must face incentives, both positive and negative, that lead them along pathways to success. Efforts to strengthen families must underlie any approach to the problem of welfare dependency and poverty.

Now, within the framework of helping families achieve self-sufficiency, let me turn to some strategies advanced as "welfare reform."

While there are many bills now before Congress which would individually address each welfare program in one way or another and treat various segments of the poor separately, we believe that the Low Income Opportunity Improvement Act of 1987 is preferable because it allows for a comprehensive attack on poverty and welfare dependency. Moreover, many programmatic welfare reform proposals show a disturbing trend in terms of expanding federal top-down approaches. Some would argue that they know what works and that sweeping changes should be implemented immediately. Upon closer inspection, however, it appears that there may be no consensus on specifics, nor has there been adequate testing of many of the ideas.

I would like to discuss three areas drawn from current legislation before Congress to illustrate why we feel top-down programmatic reforms would be a mistake for America's families.

A number of reform proposals include provisions which would require that States pay a minimum level of benefits under their Aid to Families with Dependent Children program, sometimes in combination with food stamps and other programs, generally intended to be sufficient to cover basic nonmedical needs. However, there is not even consensus among supporters of this approach as to the appropriate standard. Some want a specific minimum level of dollars, others a minimum percent of average income, still others a uniform methodology.

Regardless of the minimum selected, the concept of a national level or standard for payment of benefits must be carefully scrutinized.

First, can there be a nationally uniform method for determining need that is fair to all? No two families in different localities face the same circumstances or have exactly the same needs; thus, any uniform national standard would fail on fairness grounds. If we set a standard high enough to meet the needs of the poorest family, we would be paying more than enough to meet the needs of others, making welfare a more and more attractive alternative to self-sufficiency in addition to spending scarce resources which could otherwise be targeted to those with greatest need.

Second, national standards are based on the assumption that just one or two programs should meet all assistance needs. However, welfare must be viewed as a system. Two-thirds of all AFDC recipients receive additional benefits from three or more noncash welfare programs. Moreover, income from other family members is ignored by some programs.

Individual needs and capacities differ; therefore, public assistance benefits should be individualized to capture these differences.

The extension of cash assistance to all low income two-parent families with children has often been advanced as national programmatic reform. Such a program, the AFDC Unemployed Parent Program (AFDC-UP), is currently an option available to all States; and as with basic AFDC, the Federal Government matches roughly half of the benefit and administrative costs of the UP program. We support this program because it provides States the flexibility to choose program options best suited to meet the unique needs of their low-income population. We feel that mandating national AFDC-UP would unduly constrain the States who, instead of AFDC-UP, may wish to use their limited funds for other programs such as job training for AFDC mothers.

Proponents of mandatory UP argue that in States where UP is not in place, financial incentives drive families to separate. Existing research, however, does not support the view that providing benefits to two-parent families would promote stability.

Conditions vary from one part of the country to another, so what may be an appropriate policy in rural Nebraska would not be in Boston. Our goal is to promote economically-viable families, and a number of States have suggested ways unrelated to the mandatory extension of benefits to two-parent families as a way of doing this. These include ideas such as requiring one parent to participate in 40 hours of job activities to qualify the family for time-limited assistance, strengthening parental obligations by requiring teenage fathers unable to provide support to work in public-service jobs, and disregarding the income of absentee parents for one year after they return to their family. States should be given the opportunity to test these approaches.

We can all agree that improving the basic educational and skills levels of welfare recipients and moving them into unsubsidized employment should be one of the primary goals of any successful welfare system. But, while there is some general agreement on broad principles such as the targeting of long-term dependents and the need for education and increased support services, there is, however, little agreement on how best to structure programs. Some strategies emphasize education, some emphasize job search, and others intensive training. In this area, as in others, the diversity of viewpoints illustrates the need for many differing approaches to strengthen the attachment of individuals to the labor force. What works for some individuals fails for others; thus, effective programs must capture these individual differences.

My Department's own Greater Opportunities Through Work legislation, which we call the GROW proposal, is a modest, incremental reform which is based on lessons learned from past demonstrations. Its focus is preventive, and resources are targeted on teenage mothers—those most at risk of long-term dependency. It provides the States with maximum flexibility in designing and mandating participation in a variety of education, work, and training activities. We believe that GROW is a viable reform based on tested principles which deserves your support. However, GROW is limited to one program, AFDC, and focuses on making AFDC recipients self-sufficient through education and training. It does not attempt to address the many other pressing problems of the poor. GROW is a flexible design that States may build on in further experimentations under the Low-Income Opportunity Improvement Act.

In addition to work and education proposals, important services to the poor such as health care coverage and child care have been targeted for expansion. Typical programmatic changes include extending Medicaid for one year for those leaving welfare, and providing more public financing for child care. However, there are scores of approaches, not just one that could be tried. For example, continued Medicaid coverage could be provided on a sliding co-payment scale rather than an arbitrary one-year extension. Similarly, welfare mothers could be enlisted as day care aides to care for children in day care centers. These are just a few of the many ideas we have heard from States and grassroots groups.

New approaches for child care, health care coverage, and other services, should be tested at the local level to measure the impact on public costs and to ensure that informal or private arrangements are not supplanted. The demonstration strategy would allow testing of new ways to meet such demands.

I have described but a few of the many ways that the President's strategy would address the concerns of all of us who want to make the poor less poor and more independent and productive. Our resources are large, yet limited, so they must be targeted efficiently. Because there appears to be little agreement on implementation specifics of the various approaches to reduce poverty and promote economic self-sufficiency, let us try a wide range of ideas through State-sponsored local demonstrations. Demonstrations must have carefully designed evaluation so we can all learn the range of answers to the questions: What works? What doesn't work?

The President's proposal is a fundamental change in the process of reform—a process that simultaneously would improve the plight of the poor as it allowed us to learn how best to reduce poverty and dependency in the many different circumstances that exist across this huge and diverse land of ours.

Let me conclude by saying that, as Secretary of the Federal department with the largest number of public assistance programs and the biggest budget, I know what the President means when he says, "Despite our best intentions, the welfare system is failing; the system traps people in a cycle of dependency that robs them of dignity." And as a former Governor, it sounds pretty good to Governors, as I know they have told you, to hear the President saying that they will be given the flexibility to try to make welfare work better. Many Governors have been trying to do that within the flexibility currently allowed them. But we can and must do more to give them a chance to succeed.

Last week the Director of OMB, James Miller, testified on welfare reform before the House Ways and Means Committee. Since his testimony reflects the Administration's position on a range of questions that we have not addressed here today and gives many more details on the Administration's position on a whole range of topics related to welfare reform, I ask that it be included in the record.

The CHAIRMAN. It will be, without objection.

Secretary BOWEN. That concludes my prepared remarks, Mr. Chairman, and my fellow Cabinet Members and I would be pleased to try to answer questions that you have about the President's legislation.

[Mr. Miller's prepared statement before the House Ways and Means Committee and Secretary Bowen's prepared statement follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON D C 20503

STATEMENT

of

JAMES C. MILLER III

DIRECTOR

OFFICE OF MANAGEMENT AND BUDGET

before the

PUBLIC ASSISTANCE

AND

UNEMPLOYMENT COMPENSATION SUBCOMMITTEE

OF THE

WAYS AND MEANS COMMITTEE

U.S. HOUSE OF REPRESENTATIVES

APRIL 1, 1987

Mr. Chairman and Members of the Subcommittee: I am delighted to be here today to discuss welfare reform, an issue of high priority to both the Administration and the Congress.

The Committee has heard already from other Administration officials regarding the President's "Low-Income Opportunity Improvement Act of 1987" -- legislation that would authorize broad-reaching State-sponsored, community-based demonstrations to learn what works best to bring low-income people "Up From Dependency." Programs designed for this purpose and put in place over the last quarter-century have had far different results. More and more people remain dependent on the welfare system, and the profile of welfare recipients has become more and more tragic.

It is now clear that, despite good intentions, the Federal Government has not been able to solve the plight of our low-income citizens.

However, there does seem to be an emerging consensus about key weaknesses in our welfare system. But as to solutions, thoughtful people differ mightily. For this reason, the Administration believes that the correct approach to welfare reform is to test ideas before making sweeping national changes. The Administration's proposal to induce the nation-wide experimentation and demonstration needed -- the "Low-Income Opportunity Improvement Act of 1987" -- is the essential link to the answers we need for tomorrow.

Where demonstrations have proven the approach to be sound, changes should be made. A key area where demonstrations have shown the way is in work programs for AFDC recipients.

AFDC and Work

Virtually all of the welfare reform proposals that have been advanced to date focus in whole or in part on AFDC and work. H.R. 1720 establishes a work program called NETWork. The Administration has proposed GROW -- Greater Opportunities through Work, a new employment and training program in AFDC -- as well as the AFDC Youth Training proposal under the Job Training Partnership Act (JTPA), which would be coordinated with GROW.

There is a broad consensus that AFDC work activities should be reformed. There is also a substantial body of research to inform and shape proposals for change. Because the Administration's view of H.R. 1720 and other welfare reform proposals developed by the Congress will be influenced heavily by recent research, including results from several State demonstrations, I want to share some of it with you.

First of all, it is clear that the present system of exemptions from work-related activities in AFDC is counterproductive. Right now, AFDC mothers with children under age six are largely exempt. Yet mothers who first enter the program with children under age six account for almost 90 percent of all women who will use AFDC for 10 years or more. Those who first come onto the rolls with children under age three account for almost two-thirds of all women who receive AFDC for 10 or more years. Two-thirds of all "long stayers" have children under three when they first use AFDC -- that fact is too striking to be ignored.

Young mothers, by virtue of their age, have young children. It is not surprising, then, in light of the data that I have just cited, to find that young mothers with young children are the most likely to become dependent. Indeed, over 40 percent of young, unmarried mothers who first enter the AFDC program with a child under age three will be on the rolls for 10 years or more.

You will notice that I have referred repeatedly to women "when they first entered AFDC." That is because recent research has focused, rightly, on isolating those characteristics that identify the AFDC entrants most susceptible to dependency. With this information, we can concentrate on recipients prone to long-term dependency *before* they become enmeshed in the welfare system.

Early intervention to *prevent* long-term dependency is the hallmark of the Administration's GROW and AFDC Youth Training proposals. It is the *sine qua non* of any work-related changes to AFDC that the Congress may pass. To achieve success, we must take three interrelated steps.

First, the exemption for mothers with children up to age six must be lowered to six months (or less at State option). A six-year -- or even a three-year -- gap in schooling or work opportunity can only make it more difficult for women later to become employed or otherwise to improve their prospects for a better life and serve as role models for their children.

Second, participation in work-related activities for those who are not exempt must be *mandatory*, so that those who suffer from low self-esteem and lack aspirations will be helped along with those most likely to move into the social and economic mainstream on their own.

Lastly, participation standards must be set to ensure that significant numbers of mothers with preschool children -- particularly young mothers -- participate in work activities. For teen mothers who have not completed high school, work activities should be defined as high school attendance or its equivalent. This is especially important because we know that children who graduate from high school fare much better in the labor market than those who do not.

By taking these three steps, we can demonstrate to those who may see a life on welfare as their only option that they do, in fact, have a choice. We can help them *before* they become chronically dependent. Afterwards, not only is it much more expensive to help them "up from dependency," but more importantly, the chances for these people to lead self-fulfilling and productive lives is much less likely.

While we should intensify our efforts to assist those most likely to become dependent for long periods of time, we should not deal with likely "long stayers" to the exclusion of others. The current makeup of the population now receiving welfare benefits is neither static nor homogeneous. We know some people will leave the AFDC rolls quickly without help. However, we also know from recent demonstrations that a significant number of others can be helped off the welfare rolls through relatively low-cost forms of assistance, such as job search and work experience. These activities can be cost-effective for all levels of government. So while we must emphasize early intervention to prevent long-term dependency, we must also give the States substantial flexibility to tailor their employment and training programs to meet the diverse needs of their AFDC populations.

Good State programs have lead the way toward improving the chance of better lives for their poor citizens by involving many more of them in employment and training programs. Good State programs have not needed additional flows of Federal dollars to accomplish this goal; these programs have sprung from excellent leadership at the State and local level. Experience has taught us that providing high levels of Federal funding is not the way to guarantee a good State program. If Federal funding were the key, then the Work Incentive Program (WIN) would have been a great success.

In 1981, the Federal Government provided $365 million for WIN, which has a 90 percent Federal matching rate. According to State data for that year, fewer than 400,000 people -- or approximately 7 percent of the AFDC caseload -- participated in WIN-financed work activities. And job search and direct placement accounted for 94 percent of these activities.

Contrast these statistics with data for 1985 contained in a recent report published by the General Accounting Office (GAO)[1]. GAO surveyed 38 States. With Social Security Act funding for work activities totaling less than half of that received by all States in 1981, these States provided almost twice as many activities (741,000) as all of the States provided in 1981. These activities involved approximately 17 percent of the caseload in the States surveyed -- 17 as opposed to 7 percent in 1981. And data from the States that reported on activities by type indicate that 22 percent of the 1985 participants were involved in activities other than job search and direct placement -- more than triple the percentage in 1981.

The experience with Title XX Social Services is also instructive. That program was established as an open-ended entitlement, with a 75 percent Federal match. It did not take long for costs to explode, impelling Congress to convert Title XX into a capped program. There were two reasons for the cost explosion. The first is that States had only limited incentives to provide cost-effective services: 25 cents of their money leveraged triple that amount from the Federal Government. The second was that many States simply shifted services which they were paying for themselves, or which were funded at a lower Federal match, into Title XX.

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[1] "Work and Welfare, Current AFDC Work Programs and Implications for Federal Policy", (January 1987)

The way to ensure substantial participation in AFDC employment and training is to set participation standards, as the Administration has done in GROW. Given what we know now, it also is the only prudent thing to do. At this time, we simply don't know enough to set outcome-oriented standards. I think we all would agree that a work program should be evaluated on the basis of results. But at the same time, I hope we all would agree that establishing such standards when the state of our knowledge is deficient could do more harm than good.

I would add, too, that it would be imprudent to set performance standards which emphasized the intensity of interventions. Recent research by the Manpower Development Research Corporation (MDRC) tells us why[2]. As you know, MDRC has evaluated a number of controlled experiments which have demonstrated convincingly that employment and training programs in AFDC can encourage participants to be more self-reliant.

The Baltimore program was the most expensive program that MDRC evaluated. It emphasized non-high school education and training for AFDC mothers. No statistically significant improvement was found in the experimental group's economic position. Moreover, the demonstration was not cost effective from either the Federal or State and local governments points of view.

These findings argue strongly against performance standards or other design features which lead to the need for, or reward, intensive interventions. It would appear that the Federal Government should remain neutral on the intensity issue until we have gained more experience.

The Federal Government, of course, should participate in funding work activity programs. Our participation should be structured to give States incentives to run cost-effective programs. It also should provide stable and predictable funding so that States can plan and operate their programs efficiently.

The Administration believes the open-ended 50 percent match rate for work activities and support services that we have proposed in GROW is the best funding arrangement to assure cost-effective programs for both States and the

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[2] "Demonstrations of State/Work Welfare Initiatives", (Final Reports, September 1985, December 1985, February 1986, August 1986)

Federal Government. States will have certainty about what the Federal Government will provide and will be able to plan accordingly. They will also be prudent about expenditures because they will pay half the cost. This funding arrangement, coupled with participation standards, will help avoid the kind of wasteful experience we had with WIN and Title XX.

The one exception we would make to the 50 percent funding rule is in funding for basic education and for training other than that provided through work experience, work supplementation, and the range of activities that constitute job search.

Basic education is primarily the responsibility of State and local governments. The potential for cost shifting to the Federal Government -- with no benefit to the AFDC population -- would be enormous if basic education were funded under the Social Security Act. This is not to say that only State and local resources would be available for basic education in GROW. The Administration is proposing to almost double funding for the Adult Education program by 1992. We also are proposing $800 million for the AFDC Youth Training initiative under JTPA. These and other federally-funded programs can be used to help States meet their responsibilities in basic education. Training activities also can be supported by the Youth Training initiative, the $1.8 billion Job Training Partnership Act block grant, and other programs which the Federal Government funds to provide training to the disadvantaged.

Before I turn to other issues, I want to make two other points about work programs.

First, I know that the availability of child care to work program participants is a concern, particularly if mothers with preschool children are participants. Should a State find that paid child care is essential to the progress of an AFDC recipient, the State can use Federal 50 percent matching funds for needed support services, including child care. However, there is a vast body of information which indicates that informal child care, particularly care by relatives of the child, is not only the usual arrangement but is preferred. This is true regardless of the mother's marital status and income level and whether she works full or part time. Most of this informal care is no- or low-cost care.

The Federal government could find itself spending enormous sums of money paying a high price for child care now provided at little or no cost, with no significant improvement accruing to the intended beneficiaries. We cannot and we should not do so. If there are gaps we should fill them. But we can also minimize those gaps by structuring work programs appropriately. GROW, for example, generally defines participation as an average of 20 hours per week, giving States the flexibility to tailor work activities to facilitate child care.

Second, there is the issue of transitional benefits-- benefits for people who leave the AFDC rolls to work. Under current law, substantial transition benefits already are available to all such people.

People who come onto the AFDC rolls and then go to work are allowed to disregard $30 and one-third of their earnings for the first four months, and $30 a month for an additional eight months. These disregards are not provided to working families who apply for AFDC. They thus allow families to stay on the rolls who would not be able to come onto the rolls. In effect, then, they provide support to people who are making the transition from welfare to work.

Moreover, AFDC families who leave the rolls because of increased earnings are entitled to four months of transitional Medicaid coverage regardless of how much they earn. If a family looses Medicaid because they lose the earnings disregards, they are eligible for up to 15 months of transitional Medicaid.

There is no evidence that transitional benefits encourage more people to take jobs or that the lack of them prevents people from leaving the rolls. Indeed, there is some evidence to the contrary.

Child Support Enforcement

I would now like to turn to the issue of Child Support Enforcement (CSE). Although there has been less discussion of CSE than of work program reform, there appears to be a growing consensus that improvements in CSE are needed. the Administration proposes two interrelated CSE proposals designed to reduce welfare dependency.

The first would require States to adopt guidelines for setting award amounts and apply them as a rebuttable presumption. States would also be required periodically to review and modify support orders when necessary to continue to meet these guidelines. Research suggests that this proposal will increase collections on behalf of both AFDC and non-AFDC families.

The second proposal would provide incentive payments only to those States whose collections on behalf of AFDC families are at least 1.4 times the cost of running the State CSE agency. Incentive payments were established to encourage and reward State child support programs which perform in an effective and efficient manner. However, under the current formula even States which are performing inefficiently receive an incentive payment. Because the financing structure for the States is already generous when compared to other Federal programs, it is neither good social nor fiscal policy to continue paying excessive rewards to States which are not cost-effective in collecting child support. Certainly, AFDC families will continue to suffer if we do not correct this inefficiency.

We are willing to consider other changes in CSE that could reduce welfare dependency. In looking at these proposals, we will be guided by two basic considerations.

First, it is clear that many CSE agencies could be doing a better job of carrying out their current responsibilities. We do not believe it would be effective to burden these agencies with additional requirements. Thus overextended, it would be unreasonable to expect them to carry out their basic mission effectively.

Second, the net Federal costs of CSE agency operations already are unacceptably high in too many States. We do not support continuation of these high costs; the Administration does not want to increase losses.

H.R. 1720

We have a unique opportunity this year to enact measures that will improve the self-sufficiency of AFDC recipients through work and CSE reforms. However, these reforms are not a panacea. At the same time that we put them in place, we must also initiate a process that will lead to significant changes throughout the broad range of programs that constitute our public assistance system. We need to learn more about what works in reducing welfare dependency. The way to do this is by enacting the demonstration authority the Administration has requested in the Low-Income Opportunity Improvement Act. I urge you to take the first step needed to enact this specific legislation, free-standing, by recommending it to the full committee.

As you now prepare to go to mark-up, I want you to be aware of our initial assessment of H.R. 1720. Although we have not had time to analyze this proposal thoroughly, it seems clear that this multi-billion dollar bill actually would do more to increase welfare dependency than to get people off welfare.

Let's talk first about NETWork. NETWork will add on the order of $1.5 billion a year to the Federal cost of the AFDC program. Yet it would do little if anything to reduce welfare dependency. In essence, it retains the current counterproductive system of exemptions, strongly emphasizes voluntary participation, tilts toward delayed and expensive interventions, and contains no integral provisions to ensure meaningful levels of participation in work-related activities.

NETWork's Federal matching rates are excessive. The 75 percent match for a broad range of authorized work activities creates enormous Federal cost exposure to cost-shifting and support for activities that have not been proven cost-effective. Its match for support services, which is set at the AFDC benefit matching rate, exceeds 50 percent for many States. In combination with other provisions of the bill which increase the Federal share for benefits, and it could lead to matching rates for support services as high as 82 percent. H.R. 1720 also expands transitional benefits and creates incentives for States to formalize and monetize child care.

In its entirety and in many of its details, NETWork is more Net than Work. It could induce people to go onto the AFDC rolls simply to get education, training, and support services. At the same time, without a commitment to early intervention and mandatory participation, it would do little for those most likely to be caught in the welfare trap.

The Child Support Enforcement provisions of H.R. 1720 and Administration legislative and regulatory proposals share some common ground, in general concept if not in detail: mandatory use of State guidelines, provisions for increasing and updating CSE awards, and requirements for prompt State action on requests for CSE assistance. These are areas on which the Administration would like to work with you to see if we can achieve consensus.

However, we are gravely concerned about two provisions which seem to transform the CSE program into a universal, public sector system covering all child support cases in the States -- without regard to whether people need or request assistance. These proposals would require each State to establish paternity for every child in the State and to have an automated monitoring and tracking system covering all support orders issued or modified in the State.

The bill's CSE provisions also increase the $50 passthrough. This is one of many provisions in the bill that would change eligibility and income determinations. There are a multitude of these provisions in H.R. 1720 -- minimum benefit requirements, mandatory AFDC-UP, increased income disregards, and changes in categorical eligibility requirements to name just a few.

The minimum benefit provisions are an example par excellence of a sweeping, top -down, national change which could increase dependency by lengthening recipients' stays on the rolls, diminishing work effort, and drawing new populations into the welfare system. These proposals take any reform legislation in a direction opposite from one the Administration could support. I could go on at great length about how these many provisions are socially and fiscally unsound. Suffice it to say that our initial estimate is that these changes would add approximately three million recipients to the AFDC rolls -- an increase in excess of 25 percent.

At a net Federal cost we now estimate will exceed $15 billion over the first five years, H.R. 1720 can be considered "welfare reform" only if the success of welfare reform is measured by counting the number of people who are added to the welfare rolls.

The President has said that welfare reform must increase economic self-sufficiency and independence from welfare. H.R. 1720 does not pass this test.

All of us in the Administration are willing to work with you over the next several months to ensure passage of the President's demonstration authority and to develop a meaningful work program and CSE improvements. We have indicated we are willing to test a broad range of reform concepts, including those with which we do not agree, under the demonstration authority we have requested. We are not, however, willing to change our definition of welfare reform so that success is measured by the number of people added to the welfare rolls. To do so would be both a travesty and a tragedy.

Mr Chairman and Members of the Subcommittee: that completes my prepared statement. I shall be happy now to address any questions you might have.

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

STATEMENT OF

THE HONORABLE OTIS R. BOWEN, M.D.
SECRETARY OF HEALTH AND HUMAN SERVICES

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

APRIL 9, 1987

Thank you Mr. Chairman, I am pleased to be before your Committee this morning to join Secretary Lyng and Secretary Pierce to discuss the President's major welfare reform initiative.

Secretary Lyng has addressed the conclusions reached by the Low-Income Opportunity Working Group in the course of its extensive study of welfare and poverty. Secretary Pierce highlighted several exciting examples of local initiatives which have overcome problems that defy solution by government bureaucracies.

I would like to address how we feel we can best work with Congress to strengthen American families. America's welfare system has done little to encourage strong families, yet we all know that strong families are the foundation of our society. Through them we pass on our traditions, rituals, and values. From them we receive the strength to meet human challenges. We know that for children, the key determinant of whether they live in poverty or not is whether they live in an intact family, yet the welfare system provides little incentive for mothers and fathers to form and maintain self-reliant families.

We can all agree that the goal of any genuine welfare reform must be to promote a process through which individuals and families-in-need gain the means to be economically self-reliant. Government policy should deal with individuals and families in ways that allow differences in capacity and potential to be considered. Families seeking to escape dependency must face incentives, both positive and negative, that lead them along pathways to success. Efforts to strengthen families must underlie any approach to the problem of welfare dependency and poverty.

Now, within the framework of helping families achieve self-sufficiency, let me turn to some strategies advanced as "welfare reform". While there are many bills now before Congress which would individually address each welfare program in one way or another and treat various segments of the poor separately, we believe that the Low Income Opportunity Act is preferable because it allows for a comprehensive attack on poverty and welfare dependency. Moreover, many programmatic welfare reform proposals show a disturbing trend in terms of expanding federal top-down approaches. Some would argue that they know what works and that sweeping changes should be implemented immediately. Upon closer inspection, however, it appears that there may be no consensus on specifics, nor has there been adequate testing of many of the ideas.

I would like to discuss three areas drawn from current legislation before Congress to illustrate why we feel top-down programmatic reforms would be a mistake for America's families.

National Dependency Standards

A number of reform proposals include provisions which would require that states pay a minimum level of benefits under their Aid to Families with Dependent Children (AFDC) program (sometimes in combination with Food Stamps and other programs), generally intended to be sufficient to cover basic nonmedical needs. However, there is not even consensus among supporters of this approach as to the appropriate standard. Some want a specific minimum level of dollars, others a minimum percent of average income, still others a uniform methodology.

Regardless of the minimum selected, the concept of a national level or standard for payment of benefits must be carefully scrutinized. First, can there be a nationally uniform method for determining need that is fair to all? No two families in different localities face the same circumstances or have exactly the same needs, thus any uniform national standard would fail on fairness grounds. If we set a standard high enough to meet the needs of the poorest family, we would be paying more than enough to meet the needs of others, making welfare a more and more attractive alternative to self-sufficiency in addition to spending scarce resources which could otherwise be targeted to those with greatest need.

Secondly, national standards are based on the assumption that just one or two programs should meet all assistance needs. However, welfare must be viewed as a system. Two-thirds of all AFDC recipients receive additional benefits from three or more noncash welfare programs. Moreover, income from other family members is ignored by some programs.

Individual needs and capacities differ, therefore, public assistance benefits should be individualized to capture these differences.

Mandatory AFDC-UP

The extension of cash assistance to all low income two-parent families with children has often been advanced as national programmatic reform. Such a program, the AFDC Unemployed Parent (UP) Program (simply called AFDC-UP) is currently an option available to all states and as with basic AFDC, the federal government matches roughly half of the benefit and administrative costs of the UP program. We support this program because it provides states the flexibility to choose program options best suited to meet the unique needs of their low income population. We feel that mandating national AFDC-UP would unduly constrain the states, who instead of AFDC-UP may wish to use their limited funds for other programs, such as job-training for AFDC mothers.

Proponents of mandatory UP argue that in states where UP is not in place, financial incentives drive families to separate. Existing research however, does not support the view that providing benefits to two-parent families would promote stability.

Conditions vary from one part of the country to another so what may be an appropriate policy in rural Nebraska would not be in Boston. Our goal is to promote economically-viable families and a number of states have suggested ways, unrelated to the mandatory extension of benefits to two-parent families, as a way of doing this. These include ideas such as requiring one parent to participate in 40 hours of job activities to qualify the family for time-limited assistance, strengthening parental obligations by requiring teenage fathers unable to provide support to work in public-service jobs, and disregarding the income of absentee parents for one year after they return to their family. States should be given the opportunity to test these approaches.

Proposed Reform Strategies

We can all agree that improving the basic educational and skills levels of welfare recipients and moving them into unsubsidized employment should be one of the primary goals of any successful welfare system. But while there is some general agreement on broad principles such as the targeting of long-term dependents, and the need for education and increased support services there is, however, little agreement on how best to structure programs. Some strategies emphasize education, some job search, others intensive training. In this area, as in others, the diversity of viewpoints illustrates the need for many differing approaches to strengthen the attachment of individuals to the labor force. What works for some individuals, fails for others, thus effective programs must capture these individual differences.

My Department's own Greater Opportunities Through Work (GROW) proposal is a modest, incremental reform which is based on lessons learned from past demonstrations. Its focus is preventive and resources are targeted on teenage mothers, those most at risk of long-term dependency. It provides the States with maximum flexibility in designing, and mandating participation in, a variety of education, work and training activities. We believe that GROW is a viable reform based on tested principles, which deserves your support. However, GROW is limited to one program, AFDC, and focuses on making AFDC recipients self-sufficient through education and training. It does not attempt to address the many other pressing problems of the poor. GROW is a flexible design that States may build on in further experimentations under the Low-Income Opportunity Act.

In addition to work and education proposals, important services for the poor such as health care coverage and child care have been targeted for expansion. Typical programmatic changes include extending Medicaid for one year for those leaving welfare and providing more public financing for child care. However, there are scores of approaches, not just one, that could be tried. For example, continued Medicaid coverage could be provided on a sliding, co-payment scale, rather than an arbitrary one year extension. Similarly, welfare mothers could be enlisted as day care aides to care for children in day care centers. These are just a few of the many ideas we have heard from states and grassroots groups.

New approaches for child care, health care coverage, and other services should be tested at the local level to measure the impact on public costs and to ensure that informal or private arrangements are not supplanted. The demonstration strategy would allow testing of new ways to meet such needs.

The Demonstration Strategy

I have described but a few of the many ways that the President's strategy would address the concerns of all of us who want to make the poor less poor and more independent and productive. Our resources are large, yet limited so they must be targeted efficiently. Because there appears to be little agreement on implementation specifics of the various approaches to reduce poverty and promote economic self-sufficiency, let's try a wide range of ideas through state sponsored, local demonstrations. Demonstrations must have carefully designed evaluation so we can all learn the range of answers to the questions: What works? What doesn't work?

The President's proposal is a fundamental change in the process of reform -- a process that simultaneously would improve the plight of the poor as it allowed us to learn how best to reduce poverty and dependency in the many different circumstances that exist across this huge and diverse land of ours.

Let me conclude by saying that as the Secretary of the Federal department with the largest number of public assistance programs and the biggest budget, I know what the President means when he says that, "...despite our best intentions, the welfare system is failing; the system traps people in a cycle of dependency that robs them of dignity." And as a former Governor, let me tell you that it sounds pretty good to Governors, as I know they've told you, to hear the President saying that they'll be given the flexibility to try to make welfare work better. Many Governors have been trying to do that within the flexibility currently allowed them. But we can and must do more to give them a chance to succeed.

That concludes my prepared remarks, Mr. Chairman. My fellow Cabinet Members and I would be pleased to answer any questions you have about the President's legislation.

The CHAIRMAN. Let me lead off by asking about a concern that I have heard quite a number express, and that is, on these demonstration projects for welfare reform, that the authority is really too broad, that the interpretation is too broad, and that there are many programs that might be included that really are not thought of as welfare benefits—the Pell Grant comes to mind, and that type of thing, and Veterans benefits, for example.

As I read the proposal, it says, Any program may be included that meets the following criteria: Any Federal or Federally-assisted program a purpose of which is to alleviate poverty and under which the income or assets of the individual or family are considered in determining eligibility and benefits; or, the basis of allocation of Federal funds includes the size of the low-income population within the jurisdiction.

So, with that kind of criteria, there are all kinds of programs that might be considered that we wouldn't normally think of as "welfare benefit programs." I would like for you to comment as to which of the programs under your jurisdiction you think would be essential for inclusion? Or if you prefer, say which ones would not. The proposal gives an awfully broad umbrella, the way it is now phrased.

Secretary BOWEN. At the present time there are about 59 programs that were considered under this Act.

The CHAIRMAN. That is what I was looking at. It is a pretty extensive list.

Secretary BOWEN. Yes. Admittedly, it is a broad and extensive list of programs. But in order to be effective, it is our judgment that they all should be considered, thereby giving the Governors the opportunity to pick and choose among them in order to derive the greatest benefit to their States.

The CHAIRMAN. I think the Pell Grant ought not to be one of the program considered. Do you think Veterans benefits ought to be one of those things considered in a welfare reform program?

Secretary BOWEN. The Pell Grants are in the area of education, I believe, are they not?

The CHAIRMAN. One of you speak up to it, then.

Secretary LYNG. Mr. Chairman, at the Department of Agriculture we have programs like the School Lunch Program, has aspects of a welfare program, I presume, in that we pay for the full cost of lunches for some children, half the cost for some, and modest payments for all children. A program like that could lend itself, it seems to me, to perhaps some novel and creative system from the States. I don't think it should be excluded.

The CHAIRMAN. Well, let me make another point.

Secretary PIERCE. Sir, may I just say one thing with respect to the same question?

The CHAIRMAN. All right, go ahead.

Secretary PIERCE. There was a report made entitled "Up from Dependency." It was a report to the President by the Low-Income Opportunity Working Group of the Domestic Policy Council in December of 1986, and on page 11——

The CHAIRMAN. Why don't you just summarize what the point is?

Secretary PIERCE. I was just going to say that pages 11 and 12 summarize all the low-income assistance programs that exist at the present time, and I would just like to have that put in the record, or just give you a copy of the book and you can read it as you see fit.

The **Chairman**. That is fine.

[The information follows:]

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410

April 20, 1987

Honorable Lloyd Bentsen
Chairman, Senate Finance
Committee
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In response to our discussion at the Senate Finance Committee hearing on April 9, 1987, I am enclosing for the record a copy of the Report to the President by the Domestic Policy Council Low Income Opportunity Working Group, entitled "Up From Dependency: A New National Public Association Strategy." The 59 major low-income assistance programs identified as the major focus of the report are listed on pages 11-12 of Table 1.

During the hearing, you asked the panel what programs in our respective departments could be included in welfare reform demonstrations. With respect to HUD, the principal housing programs that States could consider as part of demonstration projects include the Section 8 Certificate and Voucher programs, the Rent Supplement program, and the Public and Indian Housing programs.

Very sincerely yours,

Samuel R Pierce

Samuel R. Pierce, Jr.

Enclosure

TABLE 1

LOW INCOME ASSISTANCE PROGRAMS

		FY 1985 FEDERAL AND REQUIRED STATE SPENDING (IN MILLIONS)
59 MAJOR FEDERAL PUBLIC ASSISTANCE PROGRAMS		$132,177
CASH PROGRAMS		$32,335
Aid to Families with Dependent Children	$14,758	
Supplemental Security Income	10,889	
Pensions for War-time Veterans	3,842	
Earned Income Tax Credit	1,100	
Foster Care	929	
Refugee Resettlement Program	436	
Emergency Assistance to Needy Families	154	
Veterans Parent's Compensation (DIC)	89	
Adoption Assistance	71	
Indian General Assistance	67	
FOOD PROGRAMS		$20,407
Food Stamps	$12,533	
National School Lunch Program	3,391	
Special Supplemental Feeding Program for Women, Infants and Children	1,495	
Temporary Emergency Food Assistance Program	973	
Nutrition Assistance Program for Puerto Rico	825	
Child Care Food Program	418	
School Breakfast Program	391	
Food Donations to Charitable Institutions	172	
Summer Food Service Program for Children	110	
Commodity Supplemental Food Program	43	
Needy Family Program	42	
Special Milk Program	16	
HOUSING PROGRAMS		$13,707
Housing Assistance Payments (Section 8 and Rent Supplements)	$6,884	
Public and Indian Housing	3,409	
Low Income Home Energy Assistance Program	2,139	
Interest Reduction Program (Section 236)	619	
Homeownership Assistance Program (Section 235)	268	
Weatherization Assistance	192	
Rural Rental Assistance Program (Section 521)	105	

HEALTH PROGRAMS		$48,632
Medicaid	$41,216	
Veterans Health Care (non service-connected)	5,393	
Indian Health Service	813	
Maternal and Child Health Services Block Grant	783	
Community Health Centers	383	
Migrant Health Centers	44	
SERVICE PROGRAMS		$4,890
Social Services Block Grant	$2,725	
Head Start	1,344	
Community Services Block Grant	366	
Legal Aid (Legal Services Corporation)	313	
Family Planning Services	143	
EMPLOYMENT PROGRAMS		$3,952
Training Services for the Disadvantaged (JTPA II-A)	$1,710	
Summer Youth Employment Program (JTPA II-B)	776	
Job Corps (JTPA IV)	593	
Senior Community Service Employment Program (Older Americans Act)	356	
Work Incentive Program and Demonstrations	310	
Native American Employment and Training Program (JTPA IV)	65	
Seasonal Farmworkers Program (JTPA IV)	63	
Foster Grandparent Program	56	
Senior Companion Program	23	
EDUCATION PROGRAMS		$8,254
Pell Grants	$3,788	
Grants to Local Education Agencies - Educationally Deprived Children	3,200	
College Work-Study	554	
Supplemental Education Opportunity Grants	396	
State Student Incentive Grants	152	
Upward Bound	74	
Special Services for Disadvantaged Students	70	
Talent Search	21	

Secretary **Bowen**. Mr. Chairman, we would not approve anything that the Governors did not consider important to their respective states. And of course at HHS, the three main programs which would be considered are Medicaid, AFDC, and Child Support Enforcement.

The **Chairman**. Thank you. I see my time has expired.

Senator Moynihan?

Senator **Moynihan**. May I first say how much we welcome this distinguished panel.

Mr. Bode, you have not been introduced, have you?

Mr. **Bode**. Yes, Senator, I have. I testified before you a few weeks ago.

Senator **Moynihan**. But I mean for this record. You are the Assistant Secretary for Food and Consumer Services of the Department of Agriculture.

Mr. **Bode**. Yes, sir.

Senator **Moynihan**. Senator Bentsen necessarily must be away for a bit, so I will carry on here.

Could I ask my good friend Dr. Bowen, did he really want to introduce OMB Director James C. Miller's testimony before the House? He has many things to do and can't read every issue of the Congressional Quarterly—as we do in this Committee—but the testimony is reported in this week's issue. It says, simply, "Reagan team tears into Democrat's welfare plan," and there is a picture of Mr. Miller, not looking friendly, and a caption saying, "OMB Director James C. Miller attacked Ford's welfare bill as 'a travesty and a tragedy.' " Now, that's no way to get along, and you didn't say it, and you didn't perhaps know that he said it in the preliminary remarks, but it was not welcome. Chairman Ford is well respected, highly respected, in this body, and we work with him very closely committee-to-committee. His program is not a "travesty" and it is not a "tragedy." It may not be an idea that everyone would share, but it reflects very much what the Governors have been talking to us about.

Let me ask, because we are very interested in this whole notion that you have presented and that the Domestic Policy Council has worked on, and that Mr. Lyng and I have worked on before—oh, God, 15 or 20 years ago; don't even think that. The idea is one of experimentation, and evaluation—of diversity in a hugely diverse country.

I want to address a question of methodology, because it is so important in your thinking. And it ought to be. For instance, Secretary Pierce, you spoke of a program in Jersey City, where tenant management brought about increased occupancy. Requests for repairs dropped. Crime in the tenant-managed project was reduced from three times the city-wide average to below the city-wide average. Do you have a study on that?

Secretary **Pierce**. Yes, we do. I will have to get it for you.

Senator **Moynihan**. Who did it?

Secretary **Pierce**. I understand that we got those reports from the tenant-management groups and also from a study that was done some time ago. There apparently is no study that has been done within the last year.

Senator **MOYNIHAN**. Well, could you tell us what project it is? It is in Jersey City, and I know Jersey City—I used to live right across the Hudson River from it. In fact, Senator Bradley has been there.

Secretary **PIERCE**. It is the A. Harry Moore project in Jersey City.

Senator **MOYNIHAN**. And the research was done by?

Secretary **PIERCE**. Basically by HUD people in the area, plus our PD&R office here, plus the people in the tenant-management group.

Senator **MOYNIHAN**. Was Rutgers involved, or Mathematica or any of those groups?

Secretary **PIERCE**. Oh, no. No.

Senator **MOYNIHAN**. As Mr. Lyng said, the "Up from Dependency" report states we should neither propose nor support more national welfare reform, unless locally tested with evidence of reduced dependency. We are going to stay on the question of what evidence there is of less dependency.

May I ask you, sir, about the public housing units. It is a very interesting idea, and I guess it started in Britain—State Bond Housing, I guess it is called—you say 7 cities have sold 94 units. Is that 94 housing projects?

Secretary **PIERCE**. No, no. That is probably 94 single-family units. It is mostly single-family.

Senator **MOYNIHAN**. Sir, I don't understand "single-family."

Secretary **PIERCE**. Single-family. A house, one single house. A single-family house.

Senator **MOYNIHAN**. Public housing as single houses?

Secretary **PIERCE**. We have some public housing as single houses.

Senator **MOYNIHAN**. And you sold 94 houses in the country? And another 72 houses are up for sale?

Secretary **PIERCE**. Yes.

Senator **MOYNIHAN**. That wouldn't be bad for Arlington for a weekend, but——

Secretary **PIERCE**. Can I get that exact information and get back to you?

Senator **MOYNIHAN**. Sure.

Secretary **PIERCE**. I believe the majority of them are single-family. There are some apartments.

Senator **MOYNIHAN**. All right.

Senator **MOYNIHAN**. Could I ask, also, for a very specific report on that housing project in Jersey City? Anyplace that can cut the crime rate from three times the city average to less than the city average, we want to know about it.

Secretary **PIERCE**. All right.

Senator **MOYNIHAN**. We want numbers, we want regression coefficients, we want a specific analysis.

Secretary **PIERCE**. We will certainly get it for you.

Senator **MOYNIHAN**. Thank you, Mr. Secretary.

[The information follows:]

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410

April 20, 1987

Honorable Daniel P. Moynihan
Senate Finance Committee
United States Senate
Washington, DC 20510

Dear Senator Moynihan:

At the Senate Finance Committee hearing on April 9, 1987, you asked the source of the reference in my statement to improvements at the Jersey City Housing Authority resulting from tenant management. You also asked about the type of units being sold in the Department's Public Housing Homeownership Demonstration. I am pleased to provide the information to you and for the record.

The improvements in the quality of life at the A. Harry Moore public housing project in Jersey City, New Jersey, resulting from tenant management, are described in considerable detail in a report by Mr. Robert J. Rigby, Jr., Executive Director of the Jersey City Housing Authority, entitled "The Residents As Resource: A Public Housing Management Demonstration in Jersey City." The report, a copy of which is enclosed, was prepared in 1982 under the auspices of the State of New Jersey Department of Community Affairs.

The A. Harry Moore project was one of seven projects in six public housing authorities at which Tenant Management Corporations were developed in 1977 as part of the National Tenant Management Demonstration Program jointly sponsored by the Department of Housing and Urban Development and the Ford Foundation. Information obtained from tenant management organizations, tenant leaders, and housing authorities in Jersey City, St. Louis, Washington, DC, and other locations over the past several years have confirmed continued improvements at the projects where tenants have assumed responsibility for housing project management.

You might be interested in a recent study of tenant management activities by Coopers and Lybrand in 1986 on the Kenilworth-Parkside Resident Management Corporation in Washington, DC. This study, sponsored by the National Center for Neighborhood Enterprise, reported significant increases in rent collections, reductions in vacancy rates, and decreases in arson and burglary crimes as a result of tenant involvement in the management of the Kenilworth-Parkside public housing project. I have also enclosed a copy of the report from the study for your information.

It is apparent from these and other examples around the nation that tenant involvement in managing public housing projects can result in significant improvements in the efficiency with which projects are operated and in substantial enhancement of the quality of life of residents and the surrounding community. We would expect similarly positive results from involving recipients in developing various approaches to welfare reform.

With respect to your question about sales of public housing units, as indicated in my statement, public housing authorities in 17 cities are authorized to sell about 1,300 units under the Public Housing Homeownership Demonstration. To date, 94 units have been sold. Of these, 34 were single family units and 60 were multifamily units. The attachment provides specific information about the units sold in each city.

Very sincerely yours,

Samuel R Pierce

Samuel R. Pierce, Jr.

Enclosure

Attachment
4\14\87

PUBLIC HOUSING HOMEOWNERSHIP DEMONSTRATION

Seventeen Public Housing Agencies are participating in the demonstration and have currently been authorized to sell 1,271 units. The following list provides information on the sales status as of April 9, 1987 and the types of units being sold.

SITE	# UNITS TO SELL	# SALES TO DATE	STRUCTURE TYPE AND FORM OF OWNERSHIP
Los Angeles Cty, CA	75	—	Scattered site multifamily (2, 3, 4 and 6 unit structures - to be sold as condos or coops
Chicago, IL	31	7	Attached townhouses and duplexes - being sold fee simple
Wichita, KS	50	—	Scattered site single family - being sold fee simple
Baltimore, MD	30	—	Scattered site single family - to be sold fee simple
St. Mary's City, MD	50	5	Single family houses - being sold fee simple
Muskegon Heights, MI	20	—	Scattered site single family - to be sold fee simple
Wyoming, MI	63	3	Scattered site single family - to be sold fee simple
Tulsa, OK	100	—	Scattered site single family - to be sold fee simple
McKeesport, PA	10	2	Scattered site single family - to be sold fee simple
Philadelphia, PA	300	—	Scattered site single family - to be sold fee simple
Reading, PA	8	2	Scattered site single family - to be sold fee simple
Newport News, VA	15	15	Scattered site single family - to be sold fee simple
Denver, CO	44	44	Attached townhouses development - sold as a limited equity cooperative
Washington, DC	28	16	Attached townhouse development - being sold as a condominium
Paterson, NJ	242	—	Attached townhouses development - to be sold as a limited equity cooperative
Nashville, TN	85	—	Three-story garden apartments, duplexes and triplexes - to be sold as condos and limited equity coops
St. Thomas, VI	120	—	Two-story garden apartments - to be sold as a limited equity cooperative
TOTAL	1,271	94	

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

May 7, 1987

Honorable Daniel P. Moynihan
Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Senator Moynihan:

I am glad to explain further the statement in my testimony of April 9, regarding the reduction in the crime rate in tenant-managed public housing projects in Jersey City, New Jersey.

Tenant management organizations were developed in Jersey City in the mid-1970's and have been managing public housing projects in that city for nearly a decade. According to information provided to the Department by Mr. Robert Rigby, Executive Director of the Jersey City Housing Authority since 1975, major crime against people and property have remained at or below city-wide averages as the result of actions taken under tenant management. At the Housing Authority's A. Harry Moore project, the crime rate, prior to tenant management, had been three times the city-wide average.

The figures cited by Mr. Rigby in his report, "The Residents as Resource: A Public Housing Management Demonstration in Jersey City," are taken from the crime reports of the Jersey City Police Department over a period of years beginning in 1973, prior to the implementation of tenant management. Mr. Rigby is recognized nationally in the public housing community and among public housing tenant organizations as an authority on tenant management activities, and has spoken widely on this issue.

I hope this information, and my letter and documents of April 20, will be helpful to you.

Very sincerely yours,

Samuel R Pierce

Samuel R. Pierce, Jr.

Senator **Bradley**. A. Harry Moore was a great New Jerseyan, and I am sure that the project will reflect his service to the State as well as the work that the tenant organizations have done, and I think we would very much like to see the backup on that study.

Secretary **Pierce**. Okay.

Senator **Bradley**. Let me ask Dr. Bowen a question.

As we turn to welfare reform, in a way it is a testament to Senator Moynihan's knowledge and persistence that the whole Executive Branch is now turned to this issue just at the time that the Legislative Branch has turned to it.

The problems of low-income Americans are now pushing into our attention. Last year in the Tax Bill we made a major advance by increasing the earned-income tax credit, which was significant in terms of giving low-income Americans some extra money in their pockets. And now we turn to welfare reform, and a central component of welfare reform is commitment by the Federal Government to essentially provide cash for families that are very poor.

Before we get to what the Government provides, though, is the belief that the family itself should provide support up to its capacity. It is with that in mind that in 1984 we enacted child support enforcement amendments that provided for wage withholding and also some tax reform offsets. And this afternoon, Senator Moynihan and Senator Durenberger and I will be introducing a child support enforcement bill that tries to get at the problem of absent parents who don't support their children even when the court orders them to do so.

Secretary Bowen, we would like to get your own response to some of the provisions of the bill. I know you are very sensitive to this area, and you have made a number of suggestions; in your own proposal you have some of these, so I take it you would fully support establishing guidelines for determining child support as opposed to leaving it to the judges to determine the amount of child support.

Secretary **Bowen**. Well, first I would agree with you that Senator Moynihan deserves tremendous credit for bringing this issue to the forefront.

The heart of any welfare reform I think has to include three things: One, child support; two, education and training; and three, a work program, for those who are able to work. With respect to child-support efforts, obviously that means obtaining proof of paternity locating the absent percent—and there are a lot of innovative methods now by which that can be done. Then, State should have mandatory guidelines, with a "rebuttal presumption" so that the judge has to have a good reason to say that the mandatory guideline not apply. Then, the guidelines should also apply to non-welfare cases as well as to welfare cases because that is a good way of keeping people off of welfare. The child support program helps those who are on welfare, and can help them get off of welfare owing to the support that they will receive.

Senator **Bradley**. So would you support guidelines in determining child support awards rather than just leaving it up to the judge?

Secretary **Bowen**. Yes.

Senator **Bradley**. And would you also support the guidelines as a mechanism to review AFDC cases?

Secretary **Bowen**. Yes. I see no reason why we wouldn't.

Senator **Bradley**. And I think you also support immediate wage withholding. Is that correct?

Secretary **Bowen**. We do support wage withholding for child support.

Senator **Bradley**. You said yes?

Secretary **Bowen**. Yes.

Senator **Bradley**. Could you tell me what thoughts you have about how the Federal Government could encourage States to make further efforts in the area of establishing paternity?

Secretary **Bowen**. That is one of the most important phases of the whole child support program, and that is to locate the father and do the proper medical tests to prove paternity.

Senator **Bradley**. One other thing that occurs to me is, as you know some States have an automated system, and the Federal government provides, in the Federal match, assistance for State and local governments to try to develop an automated child support system. Under the present budget, the Federal Government support is lowered. Do you think that maybe we should make sure that there are sufficient funds to encourage State and local governments to do the automated child support system?

Secretary **Bowen**. Well, yes, there should be adequate funds for that. We are proposing that the Federal match for regular administrative expenses be reduced to 66 percent in 1988 rather than waiting until 1990, when it goes to that level under current law. And we are proposing that the expenses for the design and development of automated systems be reduced to 66 percent in 1990. Those are money-saving efforts, of course, but we do not think it would impede the establishment of paternity and the handling of the program.

Senator **Moynihan**. I think Senator Bradley's legislation is moving, in a sense, to a notion of no-fault family support. You just do it, that's all, and you don't make a big issue about whether you are a good fellow or a bad fellow, or whatever. If you have children, you have some responsibility for them.

Senator **Bradley**. It comes with the territory.

Senator **Moynihan**. It comes with the territory—exactly.

Can I just mention my concern and interest in your proposal? We read "Up from Dependency" and we like it. It is good work, it is thoughtful work, and we very much admire Mr. Charles Hobbs, who of course was your Staff Director.

But there is just a large conceptual problem here, and Dr. Bowen might best be the one to understand it. The report says, "We should neither oppose nor support more national welfare reforms unless locally tested with evidence of reduced dependency."

Do you know how hard that is? Can I just give you an example? In your testimony you say, "My Department's own Greater Opportunities Through Work proposal is a modest, incremental reform which is based on lessons learned from past demonstrations." Now, with the greatest friendship possible, would you cite those lessons?

Secretary **Bowen**. I think the employment and education and training has been effective, and what we are focusing upon——

Senator MOYNIHAN. Think of yourself as being, you know, in charge of the laboratory now. Whose data? Dr. Helms'? Are you a real doctor, or one of us? [Laughter.]

Secretary BOWEN. He is a Ph.D.

Senator MOYNIHAN. Oh, I see, one of us.

Dr. HELMS. I think you have probably written about this more than anyone and probably know this data very well, but we think we do have valid findings that these programs work from the Manpower Demonstration Research Corporation Projects [that have been done out of Princeton], that I think you are well aware of.

Senator MOYNIHAN. The MDRC work was very suggestive; but you know, the interesting point is that they found that the most salient effects were among the people who most need it.

Dr. HELMS. We think that an essential part of the design of our GROW proposal in our focus on the hard core group who are benefited most by these programs. We have based our proposal on the work done by Ellwood and others that identifies where the real problems are in welfare, who really gets on welfare and stays the longest, and they tend to be, as you well know, the people who are young, who get married—or don't get married—have a baby, and don't have work experience or education.

So, we are trying to concentrate on that population and, for example, get those that don't have a high school degree involved in education.

Senator MOYNIHAN. But there is something about the techniques of the evaluation that almost always produces a null hypothesis.

Dr. HELMS. It is very difficult, I will agree.

Senator MOYNIHAN. Yes. We don't know why this is. You know, big mathematical minds are trying to work it out. But Peter Rossi, who is as experienced a social researcher as there is in this country, says that with a high order of confidence it may be stated that the results of any controlled social experiment will hover around zero. [Laughter.]

Senator Bradley, in your knowledge, has there ever been a major social initiative taken in this country on the basis of research findings? Does anyone want to name one?

Mr. BODE. Senator, I think a key point here in the minds of the Working Group and the Domestic Policy Council in making this recommendation was that there were some ideas that were avoided. I call to mind the testimony of Richard Nathan about the negative income tax proposals. The idea was that through experimentation we could avoid some mistakes. We have got a tremendous number of people relying upon this system of welfare in this country, and before imposing a change nationwide, we should do our best to find out what its effects are likely to be.

Senator MOYNIHAN. But with the understanding that we are not going to wait for the 30 years that these things really do take.

Senator Bradley?

Senator BRADLEY. No questions.

Senator MOYNIHAN. I just want to make the point that real social research of a kind that would really speak to the question you are talking about, Dr. Bowen, would reasonably take 40 years. It takes 40 years to find out whether someone became dependent or not in the course of an experiment, and as a matter of fact, social science is beginning to do this sort of cohort work.

Dr. Helms?

Dr. **Helms**. I want to add at this time that, while with social research it is hard to get definitive, positive results about some of these difficult questions, at the same time we have years of practical experience that what is happening with the present program is not desirable and that change is needed many people are objecting to the current program and have written about that.

Senator **Moynihan**. I have a very precise example that I will cite for you: In 1969, Dick Lyng over there was Assistant Secretary of Agriculture, and I was the Assistant to the President for Urban Affairs. We worked together for the first dramatic increase in the food stamp program. There was uncontrovertable evidence that people who eat appeared better than people who don't eat, you know?

Secretary **Lyng**. And it didn't take us 40 years.

Senator **Moynihan**. It didn't take us 40 years. As a matter of fact, it took us about four months.

I couldn't finish up this hearing without putting in a plea to poor Dr. Bowen, who is getting all of the effort here. We have heard about a situation in Fresno County. They have in their county a very large population of Hmong refugees, who have come from Laos. These refugees make up a large proportion of the county's welfare population. They are not really an agricultural people; they are sort of pre-cultivating people, a food-gathering people, and now there are many Hmong in Fresno. It is not only a matter of their family structure; their skills are not what they could be, and many of them are on AFDC–UP. That 100-hour rule is there, and county officials feel it is really slowing down what is going to be a successful, but obviously very large, adaptation, to go from mountainous, undeveloped parts of Asia, into an intensive agricultural section of California. You know, if you work one hour more than 100 hours a month, you lose benefits under AFDC. I think earlier Governor Castle was saying that a mother would be in jeopardy if, going out to work for a low wage, she lost all medical coverage for her children; so, the Governors are suggesting transitional medical coverage for people who have been on AFDC but leave because of increased earnings.

Anyway, Fresno County has asked HHS for a waiver of the 100-hour rule for the better part of a year. You don't have to answer at all, but would you give them a good look? Or maybe you have done that.

Secretary **Bowen**. I just was handed a note from my staff who is familiar with this issue, and it appears we are about to approve a demonstration project for Fresno County.

Senator **Moynihan**. Good. That's the spirit of this report "Up from Dependency" and it is a spirit this Committee very much welcomes.

I am sorry we have such a poor attendance now. There is a very bitter battle going on right now on the Senate floor. I am embarrassed to say it has to do with the levels of compensation for Members of the Congress—another dependent class, perhaps. [Laughter.]

But we very much appreciate what you have done, and we congratulate you on your study. We agree that the whole nation is a very diverse universe. It is a big country. We have the problems of the Hmong immigrants, the problems of the people who have been here for 10 generations; we have problems in the countryside and in the city, and there is no one set of answers. The varied efforts to respond to the nature of these problems are obviously the right ones. Any legislation we will be producing I am sure is going to provide the kind of waiver provisions that you have been talking about, and we very much thank you.

Does anyone want to say something? Dr. Bowen?

Secretary BOWEN. I just wanted to stress the fact that I think, with 50 laboratories out there which we could actually have with the various States, we will find out what will work and what won't. It won't take 40 years, but it will take a few years. And then, with constant evaluation, one could present the successful demonstrations to the other States.

Senator MOYNIHAN. There is an informal system of learning, one from the other. I suspect, if I had to pick the best example, I would say the school system. We have the most decentralized school system in the world, and yet information moves around about how things have worked here and worked there, and I would hope it might in this system as well.

Secretary BOWEN. We could not expect every one of the programs to work, so we would have some failures. And I think we would have to be sympathetic with those failures and not criticize them for the fact that they tried and failed.

Senator MOYNIHAN. Yes. That is the nicest thing that anybody could say: If you don't have the nerve to risk failure in matters of this kind, you will never have any success. And the fact that something has turned out not to have worked is evidence that you are paying attention to what you are trying to do.

We thank you gentlemen very much. It was very generous of you to come.

With that, we will close this hearing.

[Whereupon, at 11:50 a.m., the hearing was adjourned.]

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